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D 8523A

GORBACHEV
The mild dictator identifies his enemies
Page 6

World News

Brussels and Bonn in war of words over Emu

A war of words on European monetary union (Emu) flared between Brussels and Bonn after the EC Commission criticised Germany for suggesting delay in the creation of a European central bank. Page 16

Warning to Georgia

President Mikhail Gorbachev has threatened to detach two ethnic regions from Georgia *unless nationalist leaders* sign a treaty with the Kremlin, Georgia's president said.

US official wounded

An unidentified gunman fired shots at three US government agency officials in a Berlin hotel, slightly wounding one, and exploded a grenade before escaping.

Rebels seize homes

Left-wing rebels seized and fortified four houses in an exclusive residential area of San Salvador close to President Alfredo Cristiani's mansion. Troops and police were trying to oust them.

Radiation leak

Radiation leaked from a nuclear waste testing facility at Tokai Mura, northeast of Tokyo. *It was* Japan's third nuclear accident in a month.

Aircraft grounded

India has for the second time grounded the entire fleet of 19 Westland-30 helicopters acquired from Britain under an aid grant in 1986. Page 7

UN accuses Burma

New evidence of torture and gross violation of human rights in Burma is provided in a report drawn up by the United Nations Commission on Human Rights. Page 7

Medellín massacre

Gunmen believed linked to drug dealers picked out nine young men playing football in a poor neighbourhood of Medillín and shot all of them dead.

Manila march halted

Thousands of protesters *demanding the end of US military* bases in the Philippines tried to march on the presidential palace in Manila but were stopped by troops.

Daley wins easily

Mayor Richard Daley scored an easy victory in Chicago's Democratic mayoral primary with 64 per cent of the vote. He is now set to be re-elected to office in the April 2 election. Photograph, Page 6

Sikhs rule out talks

Sikh leader Simranjit Singh Mann said killings by Indian security forces had wrecked any chance of talks to end a decade of separatist violence in Punjab.

Seven die in pile-ups

At least seven people were killed when *thick fog caused* a series of early morning pile-ups along the Paris to Lille motorway.

Awami League leads

The Bangladesh Awami League party took an early lead in the country's first free general elections for 20 years. Photograph, Page 7

Extradition sought

The US has asked Italy to extradite an Iraqi wanted for a bombing campaign against Israeli targets in New York in 1973.

French centre hit

An explosion damaged the French cultural centre in the northern Lebanese town of Tripoli. No casualties were reported.

Hot-blooded thief

A thief stole thousands of dollars worth of deer testicles and other supposed aphrodisiacs from a Hong Kong shop. The testicles sell for up to $500 each.

Business Summary

UK rate cut fuels share rise and poll speculation

UK government cut the bank base rate by a half percentage point to 13 per cent, the second cut in just a fortnight. However, only the timing of the cut – with its strong political implications – caught the markets, City and industry by surprise, having been well discounted in London's sterling, equity and bonds markets.

The subsequent fall in home *loan rates reinforced* an emerging mood of optimism among Tory MPs, underpinning speculation that Mr John Major, the *prime minister, will be* tempted to call a general election as early as this summer. Page 16; London Stock Markets, Page 27; Analysis, Page 11

GROUP of 36 international engineering and construction *groups selected to bid for the* first batch of repair and reconstruction contracts in Kuwait includes includes 12 US companies, 10 British, 10 Saudi Arabian, two French, one Kuwaiti and one Cypriot company. Page 16

MARKETS: In New York, the Dow Jones Industrial Average rose 12.13 at 1.30pm to 2,876.73 as demand for oil shares and *stocks of companies likely to* benefit from contracts to rebuild Kuwait pushed share prices higher. Frankfurt: DAX *index ended 7.28 higher at* 1,558.24 on steady domestic buying. In Tokyo, the Nikkei average closed 188.71 down *at 26,094.25. Paris reversed* early losses to end 1.1 per cent higher, with the CAC 40 index gaining 18.71 to 1,731.02 on turnover of FFr2.4bn. World Stock Markets, Back Page, Section II; Lex, Page 16

SOUTH Korea imposed high *preliminary dumping duties* of up to 108 per cent on one Japanese and two US companies for allegedly selling poly-*acethal resin on its domestic* market at below their home market prices. Page 9

GENENTECH, US biotechnology company, filed a suit against SmithKline Beecham, charging that the Anglo-American pharmaceuticals company is falsely advertising the merits of its heart-attack drug, Eminase, in comparison with Genentech's competing drug, *Activase*. Page 19

SUMITOMO Rubber Industries, third-largest automobile tyremaker in Japan, posted an 8.4 per cent increase in unconsolidated pre-tax profits in 1990 to Y11.75bn ($90m). Page 20

MITSUBISHI Corporation, Japanese trading house, has bought a 90 per cent stake in Colourgraph, UK research and development venture firm, from an Irish company, for £225,000 ($445,500). Page 20

HONG KONG Aircraft Engineering Company (Haeco), aircraft maintenance operator controlled by the Swire Pacific group and its Cathay Pacific Airways subsidiary, has bought a 29.1 per cent stake in Asta Aircraft Services (Astaas). Page 20

CANADIAN government proposed a controversial system *of tax credits* and levies to encourage pension funds to invest a larger slice of their assets in equities, rather than debt securities. Page 21

LONDON Fox, futures and options exchange, is set to launch a property futures market on May 9. Page 21

RJR Nabisco: more than two-thirds of a $124m Swiss bond issue from the US food giant which was subject of a $2.4bn *leveraged buy-out* by Kohlberg Kravis Roberts in 1988, has been put back to the company. Page 21

BELGIUM is to write off $7.6m of debt owed by Kenya. Belgium's ambassador to Kenya, Ms Cristina Funes-Noppen, *said the decision was taken* in a programme aimed at easing economies of Third World

Fighting continues as Washington rejects Iraq's latest ceasefire concessions

Allies pound trapped Guard units

By Tony Walker in Riyadh and David White and Robert Graham in London

THE BATTERED remnants of President Saddam Hussein's best military forces were last night surrounded and under relentless attack in southern Iraq and northern Kuwait.

General Norman Schwarzkopf, US commander of the allied forces, said with grim determination in Riyadh: "The *gates are closed... there are* no ways out."

He echoed statements from Washington rejecting Iraq's latest ceasefire concessions, vowing that fighting would continue until Iraqi troops abandoned all their weapons and equipment and surrendered.

Allied forces were still locked in fierce combat with the equivalent of two Republican Guard divisions left out of the five which were defending the northern Kuwait border.

The Republican Guard, pillar of Mr Saddam's regime, was trapped by a cordon of allied armour across the southern Iraqi desert and the physical barrier of the River Euphrates. All nearby bridges across the Euphrates were down. Iraqi units fleeing from Kuwait City, which yesterday was formally liberated, were blocked on the road to Basra.

The extent of the rout was underlined when Gen Schwarzkopf said more than 50,000 Iraqi prisoners had been taken in four days of ground fighting. He said the coalition forces had rendered "combat ineffective" 29 of the 41 divisions Iraq had deployed in and around Kuwait.

More than 3,000 Iraqi tanks had been knocked out and the allied commander expected a further 700 to be destroyed in the battle raging last night between the Republican Guard and allied armoured divisions. Iraq began the war with about *4,300 tanks in the Kuwait* region.

He described allied casualties of 28 killed in ground fight-*ing as "miraculously" light*. Britain lost nine soldiers when two US A-10 tank-busting aircraft mistakenly hit two armoured vehicles in an advancing British column.

Earlier, a British military spokesman said the attack occurred on Tuesday and the incident was now under investigation. "The cruel fact of war is that no matter how many procedures you put in place this sort of incident happens," the spokesman said.

The number of Britons killed in action since the ground offensive was launched on Sunday is 13 with 10 wounded. This compares with about 55 American war dead, including 28 killed in the Scud missile attack on a barracks near Dhahran. In the first public acknowledgement by a senior allied commander of the extent of Iraqi casualties, Gen Schwarzkopf said: "There were a very, very large number of dead... a very, very large number."

■ **Kuwaitis rejoice amid the ruins of their capital............. Page 16**

■ **Bidders selected for first reconstruction contracts ....Page 16**

Military analysts, however, said that with total air superiority and a surrounded and routed adversary, casualties were likely to be very high.

Although Operation Desert Storm launched on January 17 appeared last night to have achieved its prime objective with the liberation of Kuwait, Gen Schwarzkopf said the remaining aim was to "put the Republican Guard out of business". *This included the capture* of its equipment, the most sophisticated in the entire Iraqi ground forces.

Mr Dick Cheney, US defence secretary, said yesterday he hoped the fighting could be concluded in "a few days". He also reiterated the aim to destroy Iraq's offensive military capacity.

He observed that Mr Saddam's boast to wage "the mother of all battles" had been turned into "the mother of all retreats".

Mr Cheney added: "But even after we've achieved our military objectives, even after we've destroyed (Saddam's) offensive military capability and expelled his forces from Kuwait, liberated Kuwait, the world will still be vitally interested in the future course of events with respect to the kinds of activities and policies pursued by the government in Baghdad."

Gen Schwarzkopf denied that the allies had any intention to go to Baghdad. He pointed out that the highly successful allied flanking movement had brought armour within 150 miles of the Iraqi capital. "There was nothing between us and Baghdad". They would have been able to go into Baghdad "unopposed", he claimed.

Attacks by bombers and missiles on Baghdad continued yesterday.

Continued on Page 16

Hoisting the flag: a jubilant Kuwaiti City inhabitant welcomes Kuwaiti army armoured vehicles yesterday

US, Britain reject latest offer on UN resolutions

THE US and Britain yesterday rejected Iraq's latest offer to accept several United Nations resolutions to end the Gulf war in exchange for a ceasefire, stressing that they still fell "far short" of allied demands, report Peter Riddell in Washington, Robert Mauthner in London and Michael Littlejohns in New York.

The two governments were responding to a statement by Iraq's ambassador to the UN, Abdul al-Anbari, before he attended a closed-door session *of the UN Security Council*, that his government had decided "at the highest level to abide by all the resolutions," *and to a letter from Iraqi foreign* minister Mr Tariq Aziz to the Security Council.

However, Mr Marlin Fitzwater, White House spokesman, said the US had been informed by the Soviet Union that Iraq had given conditional acceptance to only three of the 12 Security Council resolutions dealing with the Gulf crisis.

Mr Aziz had indicated in his letter that Iraq was accepting only those resolutions that demanded an immediate and unconditional withdrawal of Iraqi forces from Kuwait, that Iraq should formally rescind its annexation of Kuwait and that it should accept liability for loss, damage or injuries in regard to its action in Kuwait, Mr Fitzwater said.

But Iraq had specifically rejected three resolutions which called for economic sanctions, an air and sea *blockade and an ending to* sanctions against foreign embassies and diplomats. "So they still have not accepted all the resolutions and *terms* set forth by the coalition. This is still a conditional offer and falls far short of what is necessary," Mr Fitzwater said.

The British government's response was equally categorical. Mr John Major had made clear in the House of Commons on Tuesday what the essential conditions of a ceasefire were, the Foreign Office said.

These conditions included not only that Iraq should "publicly and explicitly" accept all the Security Council resolutions on the Gulf crisis but that "Iraqi forces in the theatre of operations, those occupying and *those* supporting the occupation of Kuwait, should abandon their weapons, their equipment and withdraw."

Moreover, it was up to the Security Council, not Iraq, to decide when its resolutions were no longer valid.

"There is no question of us dropping sanctions against

Continued on Page 16

Westinghouse Electric takes $975m charge to cover losses

By Martin Dickson in New York

WESTINGHOUSE Electric, the diversified US technology *group, announced yesterday* it was taking a a $975m pre-tax charge to cover losses and radical cuts at its troubled financial services subsidiary. The group also expects to issue some $600m in new equity to bolster its balance sheet.

The move makes Westinghouse the latest, and one of the heavier casualties in the US financial services industry of a sharp deterioration in three sectors over the past year: property, junk bonds and highly leveraged companies.

Westinghouse said the *charge would be taken against* fourth quarter 1990 earnings and these would have to be adjusted from the $284m profit reported last month to a loss of $449m.

The group, with interests ranging from broadcasting to power generation, has been heavily reliant on the performance of its financial services division to achieve earnings growth in recent years. However, exposure to the real estate and leveraged takeover markets has hit its share price hard in recent months.

Westinghouse said it would be *sharply cutting the size of* the financial services operation: it would sell or liquidate some $3bn of underperforming assets over the next few years and get out of the junk bond market.

It would also cut its commercial paper exposure by $1.5bn by the end of 1991 to improve its balance sheet.

As part of the plan, Westinghouse will bolster the subsidiary's debt/equity ratio through a $525m cash equity injection. The parent group will in turn scrap its share *repurchase programme and* raise some $600m in new equity, about $500m through a public offering.

Westinghouse said some $425m of the provisions related to the real estate market, $250m to corporate finance transactions (including leveraged deals) and $300m to its securities portfolio.

Mr Paul Lego, the group's chairman, said the action decisively addressed the problems at the subsidiary. However, he also warned 1991 earnings per share were expected to decline 10 to 15 per cent from the 1990 *level (before the fourth quarter* charge) of $3.41 a share, assuming no further market deterioration.

Because of the US recession and other factors, first quarter earnings were expected to be down about 50 per cent on a year ago. The second quarter was expected to be better than the first, but still significantly below 1990. The announcement hit the company's shares which dipped $1¾ to $27¾ at lunchtime.

Moody's, the credit rating agency, reacted by downgrad-*ing Westinghouse's long-term* senior debt from single-A1 to single-A2 but another agency, Standard & Poors, reaffirmed its rating, saying the group's outlook was now more stable.

Moody's said Westinghouse might have to inject further equity into the financial services arm as it liquidated assets.

However, it also emphasised the group's strong market position *in* several sectors and its "stable and reliable financial fundamentals."

CONTENTS

An improved reputation that's boosting business confidence

For most South African exporters, President F.W. de Klerk's reform initiatives have brought them to the threshold of normalised trade relations, but normality is not yet at hand.

Page 9

MARKETS

STERLING
New York lunchtime:
$1.921
London:
$1.917 (4.9205)
DM2.915 (2.92)
FFr9.92 (9.915)
SFr2.5225 (2.505)
Y253.5 (255.0)
£ Index 93.8 (93.9)

GOLD
New York: Comex Apr
$363.3 (360.2)
London:
$364.35 (364.35)

N SEA OIL (Argus)
Brent 15-day Apr
$17.8 (17.175)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.565
FFr5.1625
SFr1.3115
Y131.93
London:
DM1.521 (1.52)
FFr5.175 (5.1625)
SFr1.316 (1.3045)
Y132.25 (132.75)
$ Index 61.3 (61.5)
Tokyo close: Y132.8

US lunchtime rates
Fed Funds 6⅛%
3-mo Treasury Bills:
yield: 6.21%
Long Bond:
96$\frac{13}{16}$
yield: 8.14%

STOCK INDICES
FT-SE 100:
2,348.0 (+25.8)
FT Ordinary:
1,877.8 (+22.8)
FT-A All-Share:
1,134.7 (+1.0%)
New York lunchtime:
DJ Ind. Av.
2,876.78 (+12.13)
S&P Comp
366.81 (+4.0)
Tokyo: Nikkei
26,094.25 (−188.71)

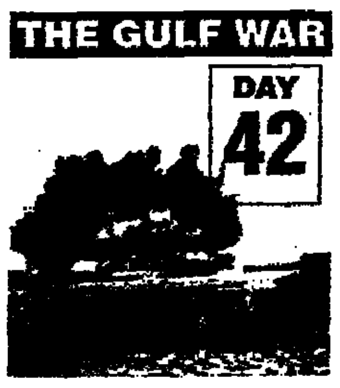
LONDON MONEY
3-month Interbank:
closing Mar 12¾ (13)
Liffe long gilt future:
Mar 92$\frac{13}{32}$ (92½)

THE GULF WAR

Allies wipe out cream of Saddam's armour

By Tony Walker in Riyadh and Paul Abrahams in London

The allies have destroyed or captured over 3,700 enemy tanks



British soldier clears an Iraqi trench with a grenade (top left); a truckload of PoWs on their way to Saudi Arabia (bottom left); US marine taking no chances in Kuwait City

IRAQ'S remaining armour was shattered in a series of tank battles yesterday as Gen Norman Schwarzkopf, US commander Middle East, claimed that all remaining escape routes for the Iraqis had been cut off. "The gates are closed," he said. "There is no way out."

A deadly race developed yesterday between Iraqi troops retreating north towards Basra and allied forces trying to trap them from the west.

Those Iraqi troops attempting to flee north from Kuwait in columns of vehicles jammed "bumper-to-bumper" were being subjected to merciless attacks from the air and thousands were reported to have been killed.

"Iraqi forces are continuing to move out of Kuwait, but it's hard for them to get out," said a US military spokesman. "He's bottlenecked. It's like squeezing a 10lb bag through a 1lb hole."

As armoured and mechanised elements of the President Saddam Hussein's elite Republican Guard attempted to hold back the allied advance, its tanks were systematically destroyed. By the end of the day, Gen Schwarzkopf claimed that 3,700 Iraqi tanks had been destroyed or captured since the beginning of the Operation Desert Storm.

Gen Schwarzkopf said 29 of the 41 divisions this is more than 500,000 men deployed in southern Iraq and Kuwait had been destroyed or rendered combat ineffective according to US officials. French officers estimated the number of prisoners of war at between 50,000 and 60,000. The condition of many of captured was described as "pitiful."

First priority was given to attacking armoured and mechanised Guard units blocking the way to Basra, leaving the remaining mechanised infantry divisions for the second round.

Yesterday morning, one Republican armoured guard unit, the Taw Al-Kana (Go With God) division, was reported to have been effectively destroyed by the 3rd US Armoured and 1st Mechanized Infantry divisions with the support of A-10 specialist "tankbusters" and Apache attack helicopters. A US spokesman said the allies were "pounding the hell" out of the tank divisions.

Later, about 50 miles to the west of Basra, other elements of the American VII Corps, together with the 24th Mechanized Infantry division, engaged three Republican guard mechanised infantry divisions and about one and a half armoured divisions in a fierce tank battle.

The outcome of the action which involved 450 tanks – the largest battle of the conflict so far – was unclear last night.

While the the Hammurabi armoured division was reported to be fighting, the Medina division was trying to load up its armour onto tank transporters in an effort to escape to the north or redeploy, according to sketchy reports.

The Medina division was being subjected to attack from the air. However poor weather and billowing smoke from Iraqi-set oil well fires in Kuwait were hampering F-16A operations. F-16 pilots need to see their targets for best results.

Nevertheless, US forces had destroyed more than 100 T-72 and T-55 tanks and numerous other vehicles in the twenty four hours to late yesterday afternoon as the the allies continued to hammer the Iraqi military, according to a Saudi spokesman.

In separate actions to the south, the 1st British Armoured Division was reported to have destroyed 150-200 tanks, 100 infantry fighting vehicles and 100 artillery pieces since they went into action on Monday. According to a British military spokesman, the division had also taken as many as 5,000 prisoners, but had not as yet engaged the Republican Guard.

Allied forces yesterday continued to tighten the noose around the remains of Mr Saddam's battered legions sent to confront the coalition in the "mother of all battles."

Allied bombing of bridges across the Tigris and Euphrates cut escape routes to the north while a French light armoured division, supported by elements of the US 101st Airborne Division denied movement to the west.

Waves of attacking aircraft also made escape to the north-east through Basra perilous. Movement to the west was not an option. "We control the escape routes west along the Euphrates and north to Basra," said a US military spokesman.

Kuwait City was effectively liberated by early yesterday morning, although small numbers of Iraqi soldiers were still resisting, according to a Saudi spokesman. He attributed this to poor communications between military commanders and troops in the field. Members of the Kuwaiti resistance said 4,000 Iraqi soldiers had been captured in the last 24 hours.

Kuwaiti troops led the parade back into the city at the head of a column of armoured vehicles carrying elements of the other Arab contingents those of the Gulf states, Egypt and Syria.

The International Airport fell into allied hands after a fierce tank battle between US marines and an Iraqi armoured division yesterday. Marines reinforced by a US Army tank brigade and coalition forces destroyed elements of the 3rd Iraqi Armoured Division. More than 100 tanks were destroyed, according to an American official.

Meanwhile on the far left of the allied offensive, French radio said the Daguet division had stopped advancing somewhere west of the town of Nassiriyah, protecting the western flank of the VII Corps and 101st Airborne division.

French troops claimed to have had destroyed 20 tanks, 17 light armoured vehicles and 114 trucks from the Iraqi 45th Infantry division.

However, seven US soldiers from the 82nd Airborne Division operating under French command – including two officers – have been killed while carrying out de-mining and mopping-up operations. Two French troops were killed in a separate incident.

Nevertheless, allied casualties continued to be light. Since the ground offensive began 55 American have died, including the 28 servicemen killed, when a Scud missiles landed on their barracks near Dhahran.

Britain has reported 13 dead and 10 wounded, including the nine killed in "friendly fire" when a US A-10 "tank-busting" aircraft fired on two "Warrior" infantry fighting vehicles.

'The gunner bent his head and prayed'

The following is a pooled despatch from Richard Kay, of the Daily Mail, on the first 36 hours on the front line with the Desert Rats in Iraq:

BAREFOOT and frightened, he huddled on the ground clutching his pathetic belongings in a dirty scarf. The flash of gunfire threw his face into grotesque relief. It was of a defeated, beaten man, one of more than 100 prisoners for each of B Company's men.

For these who threw down their guns, there was almost a sense of relief. They were the lucky ones. They would be fed, clothed, but most of all they would be safe. When you saw the squalid little shell scrapes in which they had hoped to survive aerial bombardment, artillery, and to repulse the best fighting infantry in the British army, it was a wonder that they did live.

After an advance lasting 24 hours, B Company commander Major John Potter, his face lined with fatigue and grime, finally allowed it to crease into a smile. We had been shot at, come within inches of being blown up by mines and booby-traps, but had left Iraq's border defences in disarray. Potter slept inside the turret of his vehicle, his first rest for 36 hours.

It was a terrible day to go to war. Rain swept over the encampment and the wind drowned out the sound of the F-16s and A-10 tank-killers, which were patrolling the skies.

As we waited to clamber into the narrow Warrior troop carrier, the gunner, Lance Corporal Jim Lee, bent his head and prayed.It was one of the most emotional moments I have witnessed. He was not praying for us, but for the troops of the armoured heavy brigade who would lead the assault.

At 4.42pm we crossed into Iraq. It was a euphoric moment and also a sobering one. In a smoking pile of twisted steel were the shattered remains of an Iraqi artillery replacement. Beside it, the dismembered remains of a dead soldier.

Tracer and rocket fire was stitching a pattern across the sky. This, I thought, was definitely it. Over the radio a message scrambled in the jargon of army code warned Major Potter of Quebec Bravo Oscar, quick battle orders for an enemy position to be taken out. Excitement and fear coursed through every man, but it was to be eight hours before we reached contact, encountering an Iraqi position that had not completely been abandoned.

For hours we crawled behind A Squadron's 14 tanks. Suddenly the radio again crackled into life: we had strayed into a suspected minefield. Rockets streaked over our heads, bearing down on the armoured brigade we were after. There was nothing to do but to go on.

In the Warrior, under layers of protective clothing and body armour, it was hard to be frightened. It was hard to be anything but tired. Perspiration ran down everyone's face.

Then the tanks had the sniff of a target. Their commander Major James Hewitt ordered them to open fire and the crump of their 120mm shells hitting dug-in trenches reverberated through our reinforced vehicle. Illuminated rounds lit up the sky and suddenly the ground was alive. Each blast sent up a fountain of sand and dirt.

Then we were outside and red and white tracer ripped through the sky like a swarm of angry hornets. Then, just as it started, the snarling tanks were still and the machine chatter of the Warriors halted.

Like a mirage the prisoners appeared. One, two, a third, six marching in step with their hands on their heads.

It had been a rout. We had 28 prisoners and they were lying spread-eagled at our feet. Their clothing, for it did not resemble a uniform, was tattered and worn. Their faces were frozen in abject terror.

Then came the difficult bit. Several American soldiers had already died, victims of PoW suicide bombers. Each man had to be checked to see if he was holding a grenade, claymore or worse.

Literally inches from us Major Potter recoiled. "Mine, mine," he screamed. At fingertip reach of one of the prisoners was an anti-personnel device. The PoW was just as scared. He didn't even know it was there.

Behind us the tanks were roaring again, destroying an enemy bunker. We had not stopped. Our destination: a battalion-strength artillery emplacement.

At first light there was another firefight. When it was over we could see smoking vehicles and the dead sprawled in the extravagant posture of men killed suddenly in battle.

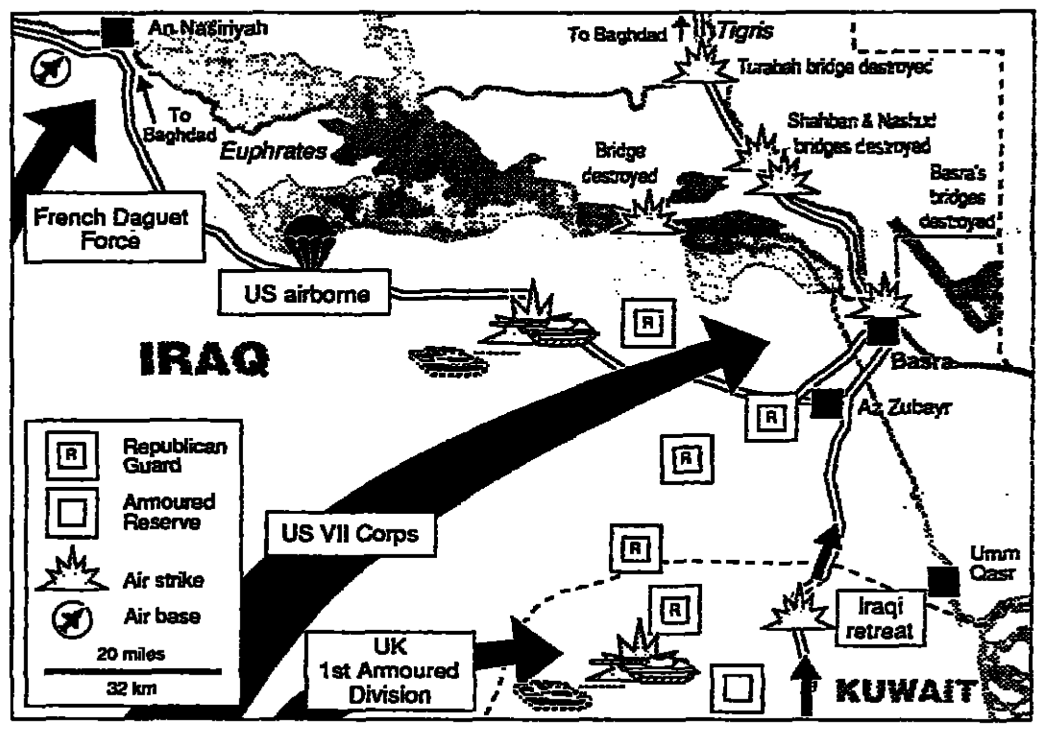
It hurt to breathe as the cordite stung the back of the throat, but one of the men had enough poise to throw himself at our feet: "Please, please, me Christian, love Jesus, don't kill." He said his name was Sayeed and he pressed a white scarf into John Potter's hand. Then he tried to embrace Potter. It was almost the last thing he ever did.

Slamming back the breech of his SA80, Potter said: "Christ, I almost killed him and he only wanted to kiss me."

But it was only a temporary diversion. The grid we were heading for took us towards the artillery position behind tanks in formation, their claret and blue ensign just visible in the poor light.

There was a rattle on the side of the Warrior. It sounded like raindrops on a tin hat. It was Iraqis aiming small arms fire at us. It summed up the hopelessness of their position. We shrugged the bullets off.

A line of prisoners came up. They wore flip-flops or were shoeless all together. One was forced to part with a grubby satchel. It contained his rations: three stale rolls and a packet of dates – on such Saddam must surely condemn his men to death.



Baghdad power supply may take year to restore

By Paul Holmes of Reuter in Baghdad

IRAQ will need at least a year to restore full electricity supplies to Baghdad because of severe bomb damage, a senior Iraqi engineer said yesterday.

The engineer, Mr Thakir Ismail al-Qubaisi, said US-led air raids in the first week of the Gulf war had destroyed all 10 of the Iraqi capital's sub-stations, used to distribute power to Baghdad's 4.5m inhabitants.

Although there was no independent confirmation that all sub-stations had been knocked out, two shown to correspondents yesterday had been reduced to rubble, burned-out control rooms and twisted metal pylons.

Mr al-Qubaisi said two units, at Yarmouk in western Baghdad and Al-Waziriya in the north, had served 900,000 people as well as factories and hospitals.

"The damage is severe. Nothing can be repaired, just look at it," Mr al-Qubaisi said at the Yarmouk plant.

The sound of exploding bombs from an air raid on other targets were heard in the distance as he spoke.

Mr al-Qubaisi, who is responsible for sub-stations, said he could not estimate the cost of restoring power supplies and buying replacement equipment.

"Prices have gone up since these sub-stations were built. As for the time needed, I would say one year," he said.

Iraq was a net electricity exporter before the Gulf crisis. Its national power grid has been either shut down or damaged in raids. Delays in restoring electricity are likely to have a big impact on resumption of industrial activity.

What little generating capacity remains in Baghdad is now used to pump water to residents for just two hours a day.

The health ministry says the serious shortage of treated water and the inability to process raw sewage mean epidemics such as cholera and typhoid could spread.

Mr al-Qubaisi said two men, both workers, were killed in the bombing of the Yarmouk plant and Waziriyah sub-stations between January 20 and 23.

Many targets in Baghdad appeared to have been bombed with surgical precision. They included ministries, government offices and telecommunications centres.

Several power pylons and microwave telecommunication relay posts have also been bombed along the western highway from Baghdad to the border with Jordan.

THE GULF WAR

National Bank of Kuwait's pivotal role in rebuilding

By David Lascelles, Banking Editor

THE National Bank of Kuwait, Kuwait's largest domestic bank and the only one still in operation, expects to play a key role in helping to finance the reconstruction, according to its chairman, Mr Mohammed Abdul Mohsin Al-Kharafi.

NBK will be the sole authorised issuer of letters of credit for Kuwait government contracts. This will be done from its London branch, which has been operating as a makeshift headquarters since the Iraqi invasion last August.

Bank officials say the pace of activity in the last few days had been "hectic" as supply companies have sought to tie up contracts with the Kuwaitis.

In the initial emergency phase of reconstruction, when work will focus on damage assessment and the supply of essential needs and communications, NBK says about $800m (£404m) of contracts will be issued. These will cover medical equipment, transport, telecommunications, utilities and emergency equipment for the oil and gas industry.

The second, recovery, phase will attempt to bring the country back to a reasonable level of normal social and economic operation. This will take about two years and will include the start-up of the financial and banking sector.

The third, reconstruction, phase will see the rebuilding of most of the country's infrastructure. The total cost of all of this is impossible to assess accurately, NBK says, because no one yet knows the condition of important installations such as power stations and desalination plants.

NBK itself is preparing to start reviving its operations in Kuwait within the next few days, and will probably be able to supply a basic banking service within three months.

It destroyed its own computer systems in Kuwait in order to prevent the Iraqis gaining access to its records. But the Iraqis have been paying out small amounts of cash to bank customers who could produce records of their balances.

The bank has bought a new computer which is already operating in London using accounts which were smuggled out of Kuwait City after the invasion. The computer, together with crates of newly printed cheque books and other documents, will soon be flown over to Kuwait in a chartered jet.

NBK officials say they do not know yet whether the Kuwait government will decide to finance the reconstruction out of its own resources or by borrowing from the international banking market. Although Kuwait's overseas investment portfolio was liquid and of good quality, borrowing was possible, and NBK would expect to be closely involved.

Before the invasion NBK had a 30-40 per cent share of the Kuwait banking market. All the other domestic banks ceased operations and some of them may not recover from the shock.

Analysts are predicting a consolidation of Kuwaiti banks once the country gets going again.

NBK itself is likely to emerge from the crisis in a much stronger domestic position, with an enlarged share of the market. Officials also say that it will in future place greater emphasis on its international operations because the war has shown that Kuwait needs a strong financial presence overseas.

Kuwaitis dance on car roofs and carry posters of their emir in the streets of Cairo as they rejoice at Kuwait City's liberation

Kuwait reconstruction cost put at $500bn

By William Dawkins in Paris

THE rebuilding of public infrastructure and the repair and replacement of private property in Kuwait could cost up to $500bn (£252.5bn), far more than earlier estimates, Sheikh Salem al-Sabah, governor of the Central Bank of Kuwait, warned yesterday.

Sheikh Salem, a member of the family which provides Kuwait's ruler and several senior ministers, also accepted that the country would require a measure of political reform once the government has returned. Before the invasion, Kuwaitis were calling for the reconvening of parliament, suspended since 1986 – seized on as a pretence for the invasion by Iraq's President Saddam Hussein.

"After the liberation and the re-establishment of of the government and security, it will be necessary to have more participation... We must practice democracy in an adult manner," Sheikh Salem told the French newspaper Le Monde. However, the Kuwaiti population wanted the al-Sabah family to stay in power, as laid down in the constitution, he said.

The 10 to 15 leading members of the allied coalition will get favourable treatment in bidding for reconstruction work, but would at the same time be asked to compete on terms between themselves, he said. US contractors had already been awarded most contracts for urgent reconstruction work, with 22 per cent going to UK companies and the rest divided among Norwegian, Swedish, French, Italian and Swiss groups, he said.

A commission would soon be formed to draw up a plan for rebuilding Kuwait, likely to take several years. It was impossible to give a clear estimate of the size of the job, though Sheikh Salem believed the cost of repairing infrastructure was nearer $10bn than the $100bn generally estimated. But he added: "If one includes the losses of the private sector – which has been plundered – one can get to $500bn."

Sheikh Salem confirmed that Kuwait would borrow on world financial markets rather than sell its extensive overseas assets to fund the reconstruction. The invasion had only underlined the importance of keeping a substantial stock of foreign assets.

"If we did not have these investments abroad, we could not have survived," said Sheikh Salem, who added that the Kuwaiti stake in British Petroleum was "an excellent investment".

He also confirmed that Kuwait would seek compensation from Iraq, part, at least, probably in the form of oil and agricultural goods.

Robert Taylor adds from Stockholm: Ericsson, the Swedish telecommunications company, received a request from the Kuwait government yesterday to help in the restoration of the emirate's telephone system.

Floating hotel to accommodate UK exporters

By Peter Montagnon, World Trade Editor

BRITISH exporters interested in reconstruction work in Kuwait will be able to enjoy accommodation in a floating hotel moored offshore, Mr Adrian White, chairman of the Biwater water engineering company said yesterday.

The idea was first put to the Kuwaitis by exporters taking part in a mission to the government in exile in Saudi Arabia last month led by Mr Douglas Hurd, the foreign secretary.

Mr White told the annual lunch of the British Water Industries Group that his company had decided to underwrite the plan, which would provide accommodation for 125 executives from each of the water, petrochemical, and power industries as well as 50 consulting engineers, 50 hospital supply executives and 30 government officials.

The government would not be be financing the effort, though the Department of Trade and Industry would pay its way. Space on the "floatel" should be available in six weeks time, Mr White said.

A container ship would also be chartered to hold equipment for companies engaged in reconstruction work, he said. Devastation to the infrastructure meant that businessmen could not work out of hotels initially.

Mr White said Kuwait recognised it was in Britain's debt for its part in ousting Iraq. It had given a firm undertaking that British companies would receive a fair share of reconstruction work, though they would have to charge competitive prices.

Businessmen attending the lunch welcomed the initiative, but said the likelihood that hostilities would soon be over had enhanced their worries about performance guarantees on business in hand with Iraq before the war.

Most exporters were obliged to arrange performance bonds under which their bankers would compensate Iraq if the work was not completed according to schedule. The terms of the bond allow banks to reclaim the money from the original exporter.

The US has undertaken to ensure that the terms under which financial sanctions are eventually lifted do not allow Iraq to exercise its rights under performance bonds, but British exporters say they have not been able to obtain a similar commitment from Whitehall.

US taxpayer may bail out Iraqi loans

By Alan Friedman in New York

THE US government will probably have to meet some $2bn of claims from US banks over loans on which the Iraqis have defaulted.

The loans, to finance shipment of farm products to Baghdad, were guaranteed by the Commodity Credit Corporation (CCC), the US farm export guarantee agency. Under US law the CCC must review and reimburse these loans unless Baghdad resumes interest payments, which is considered highly improbable.

The $2bn of claims thus represents the first evidence that US taxpayers may eventually have to bail out loans to Mr Saddam Hussein's regime.

Mr James Little, treasurer of the CCC, said yesterday that as of last month about 1,000 claims had been filed by ten US banks for Iraqi loan losses totalling some $500m. Mr Little said the claims have since been coming in "by the bucketful".

The loans in default – for a range of products such as wheat, rice, corn, soybeans, sugar, wool and cattle – include some $347m of US government-guaranteed finance that was provided to Baghdad by the Atlanta, Georgia branch of Italy's Banca Nazionale del Lavoro (BNL).

BNL is at the centre of a scandal over $3bn of improper loans to Iraq, a substantial part of which helped to finance Mr Saddam's development of unconventional weapons including chemical, nuclear and ballistic missile projects.

The CCC bail-out could become politically controversial in light of the fact that US investigators last year uncovered evidence of kickbacks and other improper payments attached to US grain exports financed by BNL. The US Agriculture Department probe concerned a total of $750m of BNL's $3bn of Iraqi loans.

Investigators believe that the extra grain-related payments may have been used to finance part of an estimated $100m used by the Iraqis to set up the Atlanta loan scam as well as a network of Iraqi agents in Europe and the US who were seeking to procure militarily useful technology.

Indians say Iraq owes $600m

By R.C. Murthy in Bombay

INDIAN construction companies say they are owed $600m (£303m) for work on projects in Iraq which were left unfinished before the outbreak of the war.

Jaiprakash Industries of New Delhi was working on a $200m Basra sewerage project, whose status is unknown after allied bombing. Shah Construction has just completed a big housing project and Ircon, a state-owned company, has a $10m railway contract.

The delay in receipts has caused a cash crunch for Indian contractors, which pay 16 per cent interest to local banks on borrowed money.

Mr. Harshvardhan Shah, chairman of Shah Construction, said: "We and Jaiprakash Industries had a lot of equipment at Basra. Bombing was heavy out there."

The companies plan to return soon after normality is restored to take stock of the situation and say they are ready to bid for new Iraqi contracts.

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THE GULF WAR

Planning minister tells citizens to 'invest in a change of attitude'

More Kuwaiti nationals to fill key positions

By William Dullforce

KUWAIT intends to place more of its own nationals in strategic positions in its banks, investment companies, utilities and administrative superstructure after liberation, Mr Sulaiman Mutawa, planning minister, said.

A "more realistic eye" would be cast on some old policies, which the Iraqi invasion had demonstrated should not have been pursued, including that applied to non-residents. Kuwait's own manpower would be better utilised.

Certain positions would have to be manned only by Kuwaiti citizens, Mr Mutawa said. For instance, in telecommunications, essential in an emergency, problems could arise if the system was maintained by non-Kuwaitis.

In banks and investment companies more of the information passed on to top management should come from Kuwaiti nationals rather than from outsiders.

Mr Mutawa said he would "not be surprised" if non-residents took on advisory roles in the Kuwait Investment Authority and the London-based Kuwait Investment Office "while we do the driving".

Kuwaiti nationals had been living in a welfare state dependent on others. "We must invest in a change of attitude, as Europe had to do after the First World War when the mansions were closed down," Mr Mutawa said.

Population policy would have to be reconsidered in the light of Kuwait's post-liberation resources. At the time of the invasion Kuwait had a population of 2.2m, of whom only 30 per cent were Kuwaitis. Full services, including subsidised food, free medical care and education had been provided for the other 70 per cent.

Some restrictions would have to be placed on non-residents bringing in large families, all of whom would be dependent on the state.

The planning minister is responsible for the long-term reconstruction of the economy after completion of the initial emergency programme, designed to restore basic services and restart oil production.

He made the following points in an interview:

- Supplies needed for the initial restoration of power, water, telecommunication and medical services were already available in nearby countries. Contracts had gone largely to those companies which had previously delivered plant and equipment;
- No guarantees had been given about the sharing out of contracts among foreign companies for the longer-term reconstruction; Kuwait would aim for competitive bidding;
- All the "major" families whose revenues were intact, not just the ruling family, would be expected to help finance reconstruction;
- If the Kuwaiti authorities had chosen to liquidate the assets held abroad, they would have "brought the temples tumbling down on ourselves and our friends in New York and London".

Jubilation gives way to soul-searching

Overcoming social and political problems will prove a tough test for Kuwaitis, writes Robert Graham

THE euphoria among Kuwaitis after the liberation of their city is liable to be tempered by the political and social problems created by six months of brutal and divisive Iraqi occupation.

Law and order are being re-established in a small state where Kuwaitis have long been outnumbered by non-Kuwaitis and where more than two thirds of the 2.1m population has recently been forced by the Iraqi invasion to live elsewhere.

The Iraqi administration exploited latent antagonisms in society by forcing non-Kuwaiti citizens to collaborate. Census data were destroyed and a large, but undisclosed, number of Iraqi civilians were allowed to settle in the wake of last August's invasion.

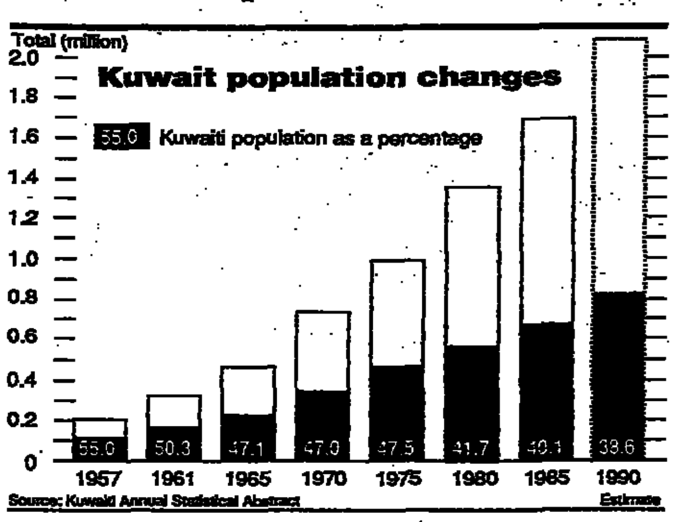
The Kuwaiti resistance has claimed that elements among the 370,000-strong Palestinian population openly backed the Iraqi occupation, looting private homes and helping in security operations.

The evidence produced is limited and appears to involve a tiny minority, mainly unemployed youths. Nevertheless, these reports have provoked strong anti-Palestinian sentiments among the local and temporarily exiled Kuwaiti population. This was fuelled by the overtly pro-Iraqi stance adopted by Mr Yassir Arafat, leader of the Palestine Liberation Organisation.

Many Palestinians, especially those with relatives in Jordan, managed to leave Kuwait after August; it was the 250,000-odd who remained who have become the focus of suspicion and enmity. Unfortunately their only sin may have been the lack of anywhere else to go.

Exiled Kuwaitis tapped generous support funds provided by the exiled government in Taif, Saudi Arabia. Palestinians and other nationals forced out of Kuwait had no such resources available.

The task of rooting out and dealing with Iraqis who settled after the invasion will be complex and delicate. Kuwaitis were obliged to turn in their identity cards to authorities and new Iraqi ones were issued. Possession of an "old" Kuwaiti ID card or passport was treated as a serious offence, aimed at intimidating Kuwaitis into acknowledging the emirate as Baghdad's 19th province.



With records burned and only Iraqi ID cards, Kuwaitis and Kuwaiti residents will need to establish their bona fides.

This process could end up relying on personal identification, encouraging the atmosphere of a witch-hunt.

The degree to which such passions are controlled by the freshly appointed martial law authorities will have a vital impact on the future cohesion of society. On top of the strains of occupation, the favoured treatment of Kuwaitis has tended to underline the three broad existing divisions – between full citizens, long-term residents and imported labour.

Full citizens are essentially those descended from merchants, pearl-divers and bedouins who lived in the area before 1920, bedouins from Saudi Arabia plus residents who have acquired citizenship through public service (almost like a knighthood). Only male citizens have enjoyed the right of suffrage (65,000 at the last elections, in 1985), but all citizens have the right to extensive welfare benefits and state assistance in property ownership.

The ruling al-Sabah family has preferred to set up a privileged group, originally uneducated bedouins, as the bulwark of its political support, while relying on a large, stable cadre of non-Kuwaitis to administer the state, and imported labour for menial jobs.

Although benignly run, this system has appeared to outsiders as one which lets non-nationals do the work while the Kuwaitis reap the benefits.

Long-term residents are primarily Palestinians and other Arabs – for example, Egyptians, Syrian and Lebanese who perform both the skilled and unskilled jobs running the country.

But there has also been a long-standing community of Indians and Pakistanis in commerce and the services.

The last wave of Palestinians, as many as 200,000, came in the wake of the 1967 Arab-Israeli war.

But the Palestinian community is also a victim of circumstance: it has never actively sought citizenship, in the hope of the Palestine problem being resolved.

While the latter group have enjoyed some privileges, the imported female and male labour has been tied to fixed contracts and existed in miserable conditions. Most have come from the Indian sub-continent, Thailand, Korea and the Philippines – a category described in the census as "Asian".

From independence in 1961 Kuwaitis have ceased to be a majority, with their share of the population steadily declining. Between 1975 and 1990, the proportion of non-Kuwaitis rose from 52 per cent to 61 per cent. The greatest increases has been in "Asians" who, before the invasion, made up more than half the non-Kuwaiti workforce.

The sensitive issues of population and nationality will come to the fore quickly. They touch at the heart of the political demands for greater representation. They will also affect how the state is reconstructed and the economic model Kuwait choses to follow.

Brothers in arms: A US helicopter crewman helps an Iraqi soldier to a rear hospital

US battle plan aims for earliest possible pullout

By Lionel Barber in Washington

PRESIDENT George Bush aims to withdraw US forces in the Kuwaiti theatre as soon as possible and let the Arab states take the lead in a new Gulf security system.

This would go some way towards allaying suspicion that the US wants to use the war as an excuse for maintaining a permanent presence guarding Saudi oil fields.

But sceptics – such as Democrat Senator Daniel Moynihan – have little faith in the Arabs' ability to bury traditional rivalry and co-operate; they predict US forces will be drawn into playing a significant regional role.

Yet US officials can mount several arguments in favour of a rapid US pullout; indeed, they may not have much choice. Faced with a ballooning federal deficit, the US would be hard-pushed to sustain the costs of keeping several hundred thousand troops in the desert.

The political will is lacking, too. Mr Tom Foley, the House Speaker and one of the more internationally minded politicians on Capitol Hill, said recently there should be no US funds for reconstruction in the Middle East. Like many, he wants more money spent at home.

In addition, the US-Saudi agreement signed last August makes clear that US forces are guests on Saudi territory, and must leave when the hosts demand. Most Middle East observers argue that a large US force would be counter-productive: a lightning rod for Islamic fundamentalism which would destabilise the ruling royal family.

All these factors explain why the US battle plan is geared to providing the best possible conditions for an early US withdrawal: the removal of Iraq's offensive capability and the destruction of the Republican Guard, the backbone of President Saddam Hussein's regime.

The need for a "clean end" to hostilities marks an effort to avoid the mistakes of the past.

In Korea, for example, an inconclusive end to the war has required US forces to be stationed south of the 39th parallel for almost 40 years.

Mr Brent Scowcroft, Mr Bush's national security adviser, has suggested that US ground forces could be withdrawn at the same rate as they were deployed under Operation Desert Shield, that is over the next six to seven months. At present the US has more than 535,000 soldiers, sailors and airmen in the region.

The final number of ground forces remains unspecified – although it would be supported by US air and naval forces, along with pre-positioned munitions and stocks. The US has had a naval presence in the Gulf since 1949.

As part of the new security system, US officials are contemplating a demilitarised zone along the Iraq-Kuwaiti border. Multinational troops, mainly comprising Arab forces, would patrol this area.

The operative slogan is "Gulf Co-operation Council plus" – Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Bahrain and Oman, reinforced by troops from, perhaps, Morocco, Pakistan and Egypt. This Arab force could be supported in turn by a UN peace-keeping mission.

On paper it looks attractive. But it will require the US to provide direction. The process of extrication could still prove tricky and longer than Washington expects.

UK quickly rejects ceasefire proposals

By Ralph Atkins

BRITAIN was quick to reject Iraq's proposals for a ceasefire, sent to the United Nations yesterday, saying that they did not comply fully with all requirements of the UN resolutions and insisting that Iraq withdraw its troops unarmed.

"They have not yet offered to meet all the resolutions. They are not yet clear about leaving their equipment and we want to make sure they are returning any Kuwaitis they have abducted and taken to Iraq," said Mr John Major, the British prime minister.

Speaking at RAF High Wycombe, Bucks, he said the latest Iraq offers failed to meet allied objectives and the conflict would continue.

However, widespread satisfaction in Whitehall at the progress of the campaign so far was spoilt by news of the nine soldiers killed accidentally by US forces. Downing Street officials expressed "deep regret".

Mr Major appears anxious that President Saddam Hussein should be judged by his actions as much as his words – and that the allies should not tolerate what officials fear are attempts at stalling by the Iraqi president. The Labour party also rejected Iraq's latest offer.

At the same time, hopes of a speedy resolution of the conflict have increased at Westminster, with the government promising troops involved in the fighting will be brought home as soon as possible.

Speaking earlier outside Downing Street, Mr Major said the allied forces did not intend to occupy Iraq or divide it. "In due course things will return to normal," he said.

Mr Paddy Ashdown, Liberal Democrat leader, said the government was right to want to disarm Iraqi troops, but he warned the government against humiliating the enemy.

The success of the campaign has also caused officials to revise estimates for the final cost of the campaign. A Treasury figure earlier this week of £3bn, spread over some years, was described as "a little high" yesterday.

Mr Major was briefed on military developments yesterday by Mr Tom King, defence secretary, and later met Mr Ghazi Al-Rayes, the Kuwaiti ambassador to London.

- Mr Michael Weston, the British ambassador in Kuwait, has flown to Saudi Arabia and is expected to travel into Kuwait today.

Executives retract KIO resignations

By David Owen

ELEVEN OF the 12 executives who resigned from the Kuwait Investment Office (KIO) last month are believed to have returned to the London-based body, which handles about $30bn (£15.1bn) of the emirate's foreign assets.

Their decision is believed to have followed assurances from Mr Ali al-Khalifa al-Sabah, the finance minister, that the office's administrative and reporting guidelines would be respected. The 12 resigned in an unprecedented protest at the body's management structure and practices.

Mr Salah al-Maousherji, the former assistant general manager who led the resigners, will not be returning. He could not be reached for comment yesterday. The KIO had no comment.

The resignations have marred the KIO's reputation in the City as a repository of tranquillity and investment expertise. The office "grew from 30 to 250 people without a change of structure", said one former employee recently.

Those who resigned are believed to have bridled in part at the influence wielded by the KIO's layer of British investment managers. One of the most powerful of them – Mr Trevor Ball, who was with the office for more than 20 years – died nearly two months ago.

Meanwhile, a former employee said that a gold position worth "several hundreds of millions of dollars" was among the assets that the KIO had liquidated during the Iraqi occupation of Kuwait.

Officials have repeatedly stated the government has not yet been forced to sell significant quantities of its extensive stock, bond and property holdings to pay for the war effort and the country's rebuilding costs.

There has been concern that a decision to do so could destabilise financial markets.

Optimism nudges oil prices up

By Deborah Hargreaves

OIL PRICES edged upwards yesterday as the mood in the market shifted towards a more optimistic outlook for the industry at the end of the war. But traders cautioned that prices were partly supported by technical trading and the market could still fall some way immediately after fighting stops.

The price for North Sea Brent crude for delivery in April has risen by $1 a barrel in the last two days to $17.80. This follows a rapid fall in the market last week when prices lost over $2 as peace in the Gulf appeared imminent.

Traders said yesterday last week's drop in the market had probably occurred too quickly and some strength was now returning to prices. "But it could soon run out of steam, production is high and stocks are high," one trader said.

Talk among producers in the Organisation for Petroleum Exporting Countries this week of quick cuts in output once the war is over has helped to buoy prices. But the cartel faces difficult negotiations at its March 11 meeting: Saudi Arabia, the key producer, may not want to yield all of its current high market share.

Prices on the New York Mercantile Exchange were boosted by a report from the American Petroleum Institute that US stocks of crude oil fell by 3.77m barrels last week to 331.3m barrels. US stocks of oil and petrol remain well below last year's levels.

Nymex April crude futures contract rose 40 cents by mid-session yesterday to $18.78 a barrel.

Kuwait's central bank governor said yesterday it could take nine months for the country's oil production to come back on stream. Sheikh Salem Al-Sabah said it could take that long to repair Kuwait's damaged infrastructure.

Debate on war deepens Soviet political divide

SOVIET hard-liners are keeping up their criticism of the US and its allies for the military offensive against Iraq, writes John Lloyd in Moscow.

At the same time, however, voices from the other side of the political spectrum are now openly proclaiming their support for the allied aims, as the Gulf becomes part of the increasingly intransigent Soviet political struggle.

In one of the toughest articles so far, Mr Yuri Gvozdyev, writing in the hard-left newspaper Sovetskaya Rossiya, said that "the machine of death gathered by the west is gathering speed... it is not Saddam Hussein who is guilty, but those who, sitting in their armchairs, have raised their hands for the destruction of people, for ecological catastrophe... and for the imperialist interests of the US."

The paper's reporter in Baghdad, Mr Viktor Filatov, writes that the allied offensive had been halted by an Iraqi counter-attack – "the Iraqi army has shown its fortitude, courage and bravery."

However, Mr Yevgeny Ambartsumov, a Middle Eastern expert and a Russian Federation deputy, said the withdrawal of the Iraqi troops was "a great triumph for the international community". He called for the Soviet Union to stand with the US as "one of the two decisive forces in the settlement process".

He was echoed by General Dmitri Volkogonov, a military historian and also a Russian deputy, who urged an international conference which would "meet the interests of the Soviet Union and all the international community".

Their call for a significant role for the Soviet Union was supported by Mr Hans-Dietrich Genscher, Germany's foreign minister, who said in a German TV interview that "there can be no peace in the region without Moscow. The Soviet president has displayed a constructive approach to the Gulf war, and thus the USSR has a right to play a substantial role in the peace process."

Professor Sergei Blagovolin, a historian at the Institute of World Economy and International Relations, went further than most radicals when he wrote in the Megapolis-Express newspaper that the Gulf war should be fought to a victorious conclusion. He criticised the "political stupidity and the criminal shortsightedness" of critics of the US and of the Soviet Union's support of UN resolutions.

"Don't they realise that our only chance of survival is by becoming part of the world community? If the stubborn attempts to revise our position on the Middle East succeed, people will stop talking to us – just like they do in decent homes with people caught stealing the family silver."

To monitor the peace: agree on a mandate and call in the UN

But it should not be left to superpowers or to other Arabs to handle, reports Anthony McDermott

AFTER the war, the monitoring of the peace. The best bet for keeping the peace in the wake of the Iraqi withdrawal from Kuwait lies with the United Nations. The record of the UN is, on balance, good in such a troubled area.

Perhaps its lowest point was when President Gamal Nasser, in his over-enthusiastic approach to the 1967 Arab-Israel war, asked the UN Emergency Force to half step aside to allow Egyptian forces into Sinai. The United Nations withdrew entirely and left Egypt's army exposed to Israel's triumphant assault.

There will have to be an international peacekeeping force to watch over the borders between Kuwait, Iraq and Saudi Arabia. Fiji, Sweden, the Netherlands and Finland have indicated interest in taking part in such a force.

According to Whitehall officials, the Arabs appear to have precluded themselves from providing an Arab peacekeeping force, given that Iraqi President Saddam Hussein's main achievement has been to inflict on the Arab world an Arab civil war to which western and other countries have been invited.

Maghreb countries, in particular Algeria, pleaded for an Arab solution to the conflict. But the disruption in the Arab world has been such – internal divisions, anti-imperialist cries, pro-Islamic rhetoric and the idolisation of Mr Saddam as a pan-Arab leader – that it is hard to conceive of an Arab force having either credibility or authority. It might only continue the strains which Mr Saddam has created.

The Arab League is a powerless organisation. It would be almost incapable of setting up an Arab peacekeeping force which would not cause further dissent among its members.

This throws the burden back on the UN. The logic in this, for the US and other allied forces, is the invocation of the 12 UN Security Council resolutions as the justification for driving Iraqi forces out of Kuwait and pursuing and bombing them in their homeland.

At present, there are four main peacekeeping forces operating in the Middle East. Each has its own characteristics. The UN Disengagement Observer Force (UNDOF) was set up in 1974, after the Ramadan War, to act between the Syrian and Israeli armies on the Golan Heights. There was no concrete and signed agreement between the two parties, but sufficient understanding, brokered by Dr Henry Kissinger, then US secretary of state, to ensure that it has proved to be a success.

A curious anomaly has been the misnamed UN Interim Force in Lebanon (Unifil), which was established in 1978 in south Lebanon to stand between the Israelis and the plethora of forces in the area – the Shia, the Lebanese armed forces and the Israeli-backed South Lebanon Army.

Abused by all parties, particularly by Israel – which is chronically opposed to the stationing of foreign forces on its soil – and given the 1967 experience of the UN, Unifil has survived by keeping in contact with all parties in the area. It has managed, even though its UN budget is heavily undersubscribed, to do a job which no other party to the region has wanted to do. Some semblance of normal life in southern Lebanon has been possible.

The UN has not run all the peacekeeping operations. Between 1982 and 1984 the Multinational Force (MNF) in Lebanon operated in two phases. MNF 1 – between August and September 1982 – was assembled mainly to supervise the withdrawal of the fighters and families of the Palestine Liberation Organisation. The US, French and Italian contingents were successful in keeping Syrian, Lebanese and Israeli forces at bay while carrying out this task. MNF 2 was a reassembly of the first version after the appalling massacres of Palestinians in the Sabra and Shatila refugee camps in September 1982 (Britain provided a small additional contingent).

The problem with the MNF was that it had no clear, co-ordinated mandate. It withdrew early in 1984, after the US and French contingents had suffered heavily from terrorist bombings. It had no joint headquarters and there was not even agreement as to what constituted the Beirut area. The force became sucked into the fissiparous politics of Lebanon and became identified as an occupying, rather than peacekeeping, force.

The 1978, US-engineered Egypt-Israel peace treaty produced another non-UN peacekeeping force – the Multinational Force and Observers (MFO) in Sinai. The UN Security Council refused to legitimise a UN force. But this has been broadly successful, because it is based on an accepted peace treaty.

Experience of peacekeeping in the Middle East – whether UN-based or not – would seem to show that, for it to work, it should be based on non-superpower, non-Arab members and above all guided by an agreed mandate.

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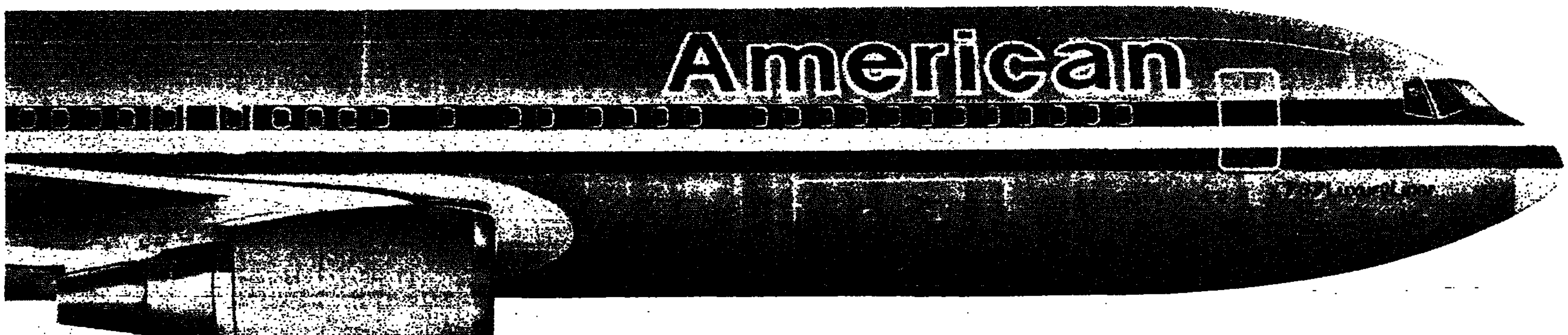

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Gorbachev, the mild dictator, identifies his enemies

By John Lloyd in Moscow

MR Mikhail Gorbachev's speech in Minsk on Tuesday night has opened a new phase in the struggle for power in the Soviet Union – not least because the Soviet president openly admitted that he was engaged in such a struggle.

It was a savage speech, but with carefully chosen targets: the radicals, the nationalists, the renegades from the Communist party who now slander it – and most of all Mr Boris Yeltsin, the Russian president. It did not come out of the blue: *it was run at full length late on* Tuesday; it was packaged for presentation in the Soviet press yesterday morning, and it was given substantial underpinning from the *Communist* party's central committee at a full-scale briefing yesterday.

Mr Valentin Kuptsov, the central committee secretary in charge of relations with other political forces, told an occasionally restive group of mainly Soviet journalists that the Communist party had, in good faith, decided last autumn to open itself up to new political forces and to seek relations with them. But by January, he said, it became clear that some of the new parties were hiding "unconstitutional, even criminal" aims behind bland programmes.

This was most true of the largest political party, Demo*cratic Russia – a fast growing* group which includes the Democratic Party of Russia (with a membership estimated by Mr Kuptsov at 30,000), the Social *Democrats (an estimated 10,000* members) and others – which now have a number of deputies in the Russian Federation parliament and are the main base of support for Mr Yeltsin.

That group, said Mr Kuptsov, had passed from the "humanitarian policies" in their programmes to positions which, "at this dangerous, unstable time", threatened the security of the state and the people. These positions included: the call for the president to resign; the demand that the Supreme Soviet be dismissed; and opposition to a "yes" vote in the referendum on the maintenance of the Union, to be held on March 17.

In both Mr Gorbachev's speech and Mr Kuptsov's remarks yesterday, these positions came close to being branded as treachery.

It is not clear, however, what will happen to the alleged traitors. Mr Gorbachev and Mr Kuptsov both talk of "criminals" and "extremists", but neither defines, nor will be drawn on, what will be done about them.

They blast those who have publicly called for the Communist party to be put on trial – as Mr Yuri Afanasiev, the historian and USSR deputy, has done – but do not say if they have made themselves liable for trial because of it.

They talk of the Communist party being willing to co-operate with those who share the "socialist choice" it has made – but do not specify what will happen to those parties which have not made such a choice.

Mr Gorbachev's speech can be read as the signal for a further step in the imposition of a mild dictatorship which pushes the radicals who were once his allies, even his friends, further into the fringes until they are picked off by legal action. Or it could simply be an attempt to match the harsh rhetoric of those in the opposition, whose slogans are replete with images of disaster, of execution and of fascism.

Mr Yeltsin, *in his television* broadcast more than two weeks ago calling on the president to resign, concluded by saying: "I have made my choice. Everyone must make his own choice and determine his own position."

Mr Gorbachev, as he ended his speech to the Belorussian intellectuals, did Mr Yeltsin *the compliment of echoing* him: "I have made my choice."

It is now wholly clear that his choice is, at least for now, to side with the old leftists, the higher echelons of the army and the KGB, in opposition to his former supporters among the radicals. There is no question of a compromise or a truce. The only question remaining is the one Mr Gorbachev himself posed, twice, in his Minsk speech: will the momentum of events push the two sides towards a civil war?

PRESIDENT Mikhail Gorbachev has *threatened to detach two ethnic regions from* Georgia unless the republic's nationalist leaders sign a treaty with the Kremlin, Georgia's president said yesterday, Reuter reports from Moscow.

***Mr Zviad Gamsakhurdia, speaking at an* emergency session of the Georgian parliament, said Mr Gorbachev telephoned him on Monday to discuss ethnic clashes in the republic. He said the Soviet leader pressed him to support a new union treaty defining the relationship between the Soviet Union's 15 republics and the centre. Georgia, bent on *full independence*, is among republics refusing to sign the draft treaty.**

"From our conversation, in my opinion the centre wants to take Abkhazia and Ossetia away from Georgia and force us to sign the *union treaty*," Mr Gamsakhurdia said.

The emergency parliamentary session was called to discuss recent violence in South Ossetia, where local leaders declared last September they wanted to form their own republic within the *Soviet Union* rather than be part of an independent Georgia.

UK urges moves towards unified EC foreign policy

By David Buchan in Brussels

BRITAIN has presented its EC partners with proposals by *which the Twelve would* increasingly adopt a common foreign policy, and even discuss defence, while leaving all operational military decisions outside the Community.

The UK proposals, foreshadowed in a speech last week by Mr Douglas Hurd, Britain's foreign secretary, are similar to those of France and Germany in seeking to create a link between the European Council – as summits of EC leaders *are known – and* the Western European Union (WEU) defence organisation, to which the UK and eight other EC members belong.

But the British plan gives less weight to the European Council, setting guidelines for the WEU. It makes clear that the follow-up to any European Council discussion on defence issues – hitherto taboo in neutral Ireland's presence – would have to take place in WEU.

Neither *does* Britain join France, Germany, Italy, Spain and several smaller EC states in envisaging the EC eventually taking over WEU, *although the UK has* urged the move of WEU institutions from London and Paris to Brussels.

Earlier this week, Mr Wim Van Eekelen, the WEU secretary general, told a Centre for European Policy Studies (Ceps) conference in Brussels that it *was the British change of heart* that now made it possible for WEU to play a "bridge" role between the EC and Nato.

However, it emerged yesterday that a common European foreign policy is already costing more than the Community budget can bear.

Brussels warned that an extra Ecu2.2bn ($3.1bn) was needed in 1991-92 for already agreed aid to the Soviet Union and the Middle East and to set up a fund for unexpected contingencies.

In purely technical terms, Brussels is asking EC governments and the European Par*liament to raise the "financial* perspectives", or guidelines governing EC spending, by Ecu1bn this year and Ecu1.2bn in 1992.

This year Ecu400m is to go to the Soviet Union in technical aid and Ecu250m is to be shared between Israel and Palestinians in Israeli-occupied territories – leaving Ecu350m for contingencies in 1991 but the full Ecu1.2bn in 1992.

Politically, however, the Commission's request is a way of telling governments that they should put their money where their mouths are.

The Twelve have been virtually unanimous in proclaiming that they should have a common foreign policy, but *have hardly said a word about financing it.*

"The Community is going to find being a world power very expensive," warned Mr Philippe de Schoutheete, Belgium's EC ambassador, in a speech this week.

Unlike spending within the Community, foreign policy demands on the EC budget not only often arise suddenly but need to be met quickly.

This particular dilemma was *highlighted* last year when the Commission came under crossfire over EC aid to frontline *Arab* states hit by the Gulf crisis.

Britain said that Brussels was going too fast and flouting EC budgetary rules in processing the aid, while at the same time the US Administration implored the Commission to expedite the aid.

● The Commission yesterday approved plans by Germany's five new eastern states and east Berlin on how they will spend the Ecu3bn worth of structural economic aid the EC *has promised them* in 1991-93.

The aid will be targeted at supporting productive investment, retraining and helping agriculture in what was formerly east Germany.

Mayor Richard M. Daley sailed to victory in Chicago's Democratic party mayoral primary on Tuesday: above, he celebrates his win with victorious candidates city treasurer Miriam Santos and city clerk Walter Kozubowski, right. Mr Daley, who is now set to be re-elected mayor in the April 2 general election, scored the largest winning margin in a primary for half a century. With most of the votes counted, he took 64 per cent compared with the 30 per cent of runner-up Mr Danny Davis, the consensus black candidate.

US training offer to E Europe

By Peter Riddell, US Editor, in Washington

A SERIES of joint US public *and private sector initiatives to* assist management training and understanding of market economics in eastern Europe was proposed yesterday by the Bush administration.

President George Bush reiterated the US commitment to supporting reform in central and eastern Europe at a White House conference involving senior ministers from Poland, Czechoslovakia, Hungary, Bulgaria, Romania and Yugoslavia, as *well* as senior executives of US companies and universities.

The aim is to involve US corporations and colleges. The governments of the countries concerned have been fully involved in producing the plan.

The programme focuses on *four goals to be achieved over* the next three years:

- development of television programmes – explaining how market economies work – to be made available to 10m households (roughly a sixth of those with sets)
- training and retraining of 50,000 managers and workers in new management techniques
- assisting in the provision of management and economics *courses for 10,000 students*, predominantly in the countries concerned
- training of 200 teachers in management and economics, *some being brought to the US.*

In the current year some $14m is being made available by the administration and more will come from various aid and information programmes next year.

Canadian budget radiant with good intentions

By Bernard Simon in Ottawa

MR Michael Wilson has taken one of the biggest gambles in *his seven years as Canada's* finance minister. In a budget tabled on Tuesday in the House of Commons in Ottawa, the mild-mannered Mr Wilson has asked Canadians to pull in their belts another notch, when they are already feeling the pinch of recession and putting most of the blame at the door of his Conservative government.

Mr Wilson hopes that by imposing fiscal discipline and dampening *inflationary* expectations, he can bring down interest rates.

That would set the stage for sturdy economic recovery and renewed confidence in Canada's international competitiveness, just in time for the next federal election, which is likely *to be called at the end of 1992* or in early 1993.

But this strategy carries substantial risks.

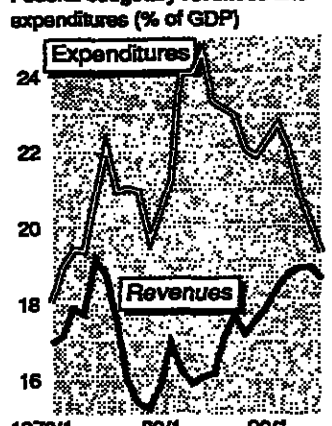
Although the Conservatives have contained the annual budget shortfall to about C$30bn (£13.6bn) for the past few years, they have singularly failed to meet their deficit-reduction targets. The assumptions in almost every budget speech Mr Wilson has delivered since 1984 have erred on *the side of optimism.*

Just a year ago, he forecast that the deficit would fall below C$27bn in the fiscal year to March 31 1992. This week's budget sets a *less ambitious* target of C$30.5bn, which is unchanged from 1990-91.

Mr Peter Drake, senior economist at Toronto-Dominion Bank, says that, this year again, "there are some ques*tions about the numbers." As if* to highlight that scepticism, TD's analysis of the latest budget starts with a quote from Alice in Wonderland.

Canada

Federal budgetary revenues and expenditures (% of GDP)



Source : Budget papers

Furthermore, some of the budget proposals are likely to unleash strong political opposition. By proposing a 3 per cent limit on pay increases for 215,000 federal civil servants over the next three years, Mr Wilson is taking on some of the country's most powerful trade *unions. One has already threat*ened to call a general strike this spring.

Even if Mr Wilson's forecasts and assumptions are too rosy, the business community and most economists are greeting the budget as a well-intentioned attempt to deal with some of Canada's deep-rooted economic problems. These include a public debt which has doubled in the past seven years, to the point where debt-*servicing charges now gobble* up 35 cents of every dollar of federal revenues.

These huge borrowing requirements are reflected in domestic interest rates. While rates have dropped sharply in the past eight months, they are still some 3.5 percentage points higher than those in the US.

Mr Wilson has forged some new tools to encourage fiscal discipline. He plans to legislate a mandatory cap on government spending to keep the average growth rate in programme outlays to 3 per cent a year.

"Any government that wants to tinker with it in the future will do so with some political loss," Mr Wilson said.

In addition, Ottawa has for *the first time set specific infla*tion targets. The goal is to bring the growth in the consumer price index down to 3 per cent by the end of 1992 and 2 per cent by 1995. The consumer price index rose by 4.8 per cent last year.

But just in case the assumptions once again err on the rosy side, the fine print in the budget papers gives Mr Wilson some escape hatches. The inflation targets will have a margin *of error of 1 percentage point* on either side. "Temporary adjustments" will be allowed to accommodate big changes in indirect taxes, principally the new 7 per cent goods and services tax which pushed the inflation rate up to a year-on-year rate of 6.8 per cent in January and is likely to be raised before 1995 to help meet the latest deficit-reduction targets.

US economy in further contraction

THE US economy contracted at an annual rate of 2 per cent at the end of last year, mainly as a result of falling motor vehicle production, writes Peter Riddell in Washington.

A further decline is expected in the current quarter, fulfilling the technical definition of a recession as two successive quarters of *falling* output.

The quarterly drop in output, the biggest for more than eight years, also saw declines in both consumer and business purchases of cars and trucks and falls in levels of business stocks, says the Commerce Department.

***Excluding the motor sector*, real GNP would have risen at an annual rate of 0.6 per cent.**

The main change from that of the previous estimate is that the GNP price index is now estimated to have risen at an annual rate of 4.7 per cent in the fourth quarter, compared with a previous projection of a 4.1 per cent rate of increase.

New funds for S & L rescue turned down

By Peter Riddell in Washington

THE FEDERAL rescue of the US savings and loan industry is threatened with serious disruption and a possible shutdown within a week or two, following the House banking committee's rejection of an *administration request for new* funds.

Mr Nicholas Brady, the Treasury secretary, said yesterday that the $30bn needed in immediate funding for the Resolution Trust Corporation handling the rescue was "must-pass" legislation. "We have a solemn obligation to pay off depositors (in failed savings and loans) and we intend to get legislation so that we continue to do that."

The rescue is very unpopular politically and – before the rejection of the overall package by 31 votes to 16 – the committee had approved a series of amendments putting the rescue on a pay-as-you-go basis, requiring offsetting tax increases or spending cuts and shifting part of the burden to states like Texas and Arizona with the largest losses.

The Treasury strongly objects to these amendments.

A simple version of the bill providing funding for the current fiscal year was rejected by the Democratic majority on the committee, though it has been approved by *the Senate* banking committee and is due to be taken up on the Senate floor.

The probable outcome is that some limited, additional funding, will be approved within the next week or so, to allow the rescue to continue for the time being, though it is likely to be much less than the administration wants.

Delays increase the cost of the rescue. For instance, the failure by the House to *approve sufficient funding last* October added at least $250m to the overall costs.

There is considerable bad feeling between the administration and House Democrats over the rescue. Congressman Henry Gonzalez, the committee's maverick chairman, said the amended measure had been mugged by administration lobbyists.

Cholera epidemic threatens to deal Peru's sick economy a heavy blow

By Sally Bowen in Lima

FISH MERCHANTS gave away eight tons of cod and mackerel to inhabitants of Lima shanty towns at the weekend, trying to win back customers scared off by warnings from the *Health Ministry* that Peru's fish is contaminated with cholera bacteria.

Imarpe, the Peruvian Maritime Institute, ran extensive *tests last week* on sea products. By Sunday a spokesman declared Peru's fish "definitely not contaminated; if there is any problem, it comes from subsequent handling."

Peru is in the grip of two fevers; an unprecedented cholera epidemic and a growing fear that its already weak economy will be further sapped by counter-measures being taken by some of its Latin American neighbours.

With fears that cholera will spread to neighbouring countries, Andean Pact health ministers are today due to hold the second day of deliberations in Lima, discussing emergency measures.

The disease is now present throughout Peru, where at least 134 people have died and another 26,340 have become ill, according to official figures. More deaths normally result from Rio de Janeiro's annual *carnival, but such an epidemic* of a preventable disease augurs ill for the future welfare of Latin American countries like Peru, which have sustained a *decade of large public spending* cuts and collapsed infrastructures. Disease prevention – once taken for granted – has become a luxury, even in the best administered countries of the region.

The World Health Organisation has classified the outbreak as part of the seventh pandemic, which began in India in 1961 and spread to Indonesia, the Philippines, the Middle East, North Africa, Italy, the Soviet Union and even the US. Latin America had been clear of cholera for the whole of this century, until now.

Official pronouncements indicated that contaminated plankton was a prime carrier of the microbe, *vibrium cholerae*. Most of those who first *fell sick had recently eaten fish* – "but then everyone eats fish every day in Chimbote," as locals pointed out.

What is certain is that Peruvian inshore waters are heavily contaminated. Some 15 cubic metres per second of untreated sewage are estimated to pour from five large outlets around Lima.

An intensive Health Ministry publicity campaign advised Peruvians to stay away from polluted beaches, not to eat from street stalls, and to boycott shellfish and Peru's national dish, *ceviche* – uncooked fish marinated in lime juice.

The country's fish and fruit exports have been badly hit. Neighbouring countries, as well as France and Italy, closed their borders to Peruvian mangoes, melons and even canned sardines.

Despite panicky reports of cholera in south-west Ecuador, the authorities say no case has been confirmed. However, the border with Peru is closed and Peruvian products are being *sent back.*

In Colombia, the Health Ministry has alerted people on the Pacific coast and in the Amazon region to cholera symptoms and is distributing rehydration salts. Colombia has banned imports of fresh fruit, vegetables, seafood and milk from both Ecuador and Peru.

Two suspected cases of cholera in São Paulo have spurred Brazil into action; it has reactivated its National Commission for the Combat of Cholera. Trains and aircraft connecting the countries are now subject to health checks and foodstuffs from Peru have been removed from shops. But Mr Alceni Guerra, the health minister, said borders between the two countries would not be closed.

Doctors are warning that if the epidemic does reach Brazil it will spread quickly in the poverty stricken north-east and the slums of Rio, where there is no water supply or drainage.

Government officials in Lima have put overall losses from the epidemic at $100m (£151.5m). Fishmeal exports worth $80m have been halted in Peruvian ports pending an all-clear, despite the fact that processing kills all possible bacteria.

Peru's 17,000 small fishing boats and the 86,000 families dependent on fishing for their livelihoods are desperate. Doctors worry, too, that elimination of fish from an already poor national diet will increase widespread malnutrition.

The mortality rate of the current epidemic is low, around 0.5 per cent according to the Health Ministry. The undernourished poor are most likely to contract cholera. More than three-quarters of those affected are from shanty towns around Lima and other large cities, where sanitation is *minimal*. The Parliamentary Housing Commission estimates that only 55 per cent of Peru's houses have piped drinking water and 48 per cent mains sewage systems.

With such statistics commonplace *throughout much of* the continent, perhaps the only surprise is that similar eruptions do not occur more often. *Additional reporting by Sarita Kendall in Bogotá, Christina Lamb in Rio de Janeiro and our Foreign Staff in London.*

A child plays among rooting pigs on a Lima dump infected with cholera

EUROPE IN BRIEF

Europe plans US TV rival

The European Broadcasting Union is seeking Ecu60m ($85m) from the European *Commission and Council of* Europe over six years, to help fund a European rival to the US Cable News Network, writes Andrew Hill in Brussels.

Euronews, which would be launched at the beginning of next year and broadcast in five languages, would start with a nine-hour daily service, moving to 24 hours from 1993.

Establishment and running of the channel is expected to cost Ecu21.6m in 1992 and Ecu24.3m *in 1993*, 54 per cent of which will would be subsidised by EBU members, 24 per cent by European public funds and the balance by sponsors and advertisers.

EC investigates Italian state aid

THE European Commission has started a formal investiga*tion of state aid to* two Italian companies, writes Andrew Hill in Brussels.

The Commission said public sources in Italy provided about 80 per cent of a L100bn ($91m) capital injection aimed at reviving the country's principal newsprint manufacturer, Cartiera di Arbatax.

EC officials said the aid was "prima facie" illegal because the Commission had not been told about it in advance.

The Commission has also questioned aid provided for Feralpi, an Italian steel company, in the form of a L5.1bn loan, which is part of a programme of technological improvements. It said the loan might distort competition and could be incompatible with a *common* market.

Companies seek government help

Confindustria, the Italian industrialists organisation, asked the government for a L2,000bn ($1.8bn) package designed to help companies cope with declining competitivity and falling demand, writes John Wyles in Rome.

The measures include increased investment grants for small and medium sized businesses, a reduction in value added tax on imported materials destined for final manufacturing, export credit insurance on terms as favoura*ble as elsewhere in the EC and* measures to assist labour cutbacks caused by corporate restructuring.

Czechoslovak vote on privatisation

Czechoslovakia's federal parliament has approved a sweeping privatisation law designed to facilitate the fastest possible *transfer to private ownership* of the 4,500 enterprises nationalised or created since the communist takeover in 1948, writes Anthony Robinson.

The enterprises have been valued at around Kcs3,500bn ($133bn) although the state is expected to receive only a *small proportion of the theoret*ical value. Foreigners will be allowed to buy the newly privatised companies on the same *basis as nationals.*

Soviet TV curbs the commercials

Advertisers on Soviet television are to face new restrictions on the grounds that commercialisation is affecting programme quality and that the current system is poorly regulated, writes Andrew Jack.

Mr Leonid Kravchenko, chairman of the state committee for radio and television, said that new regulations governing payment, scheduling and what products could be advertised were likely *to be* introduced shortly.

Lithuania pays for price rise

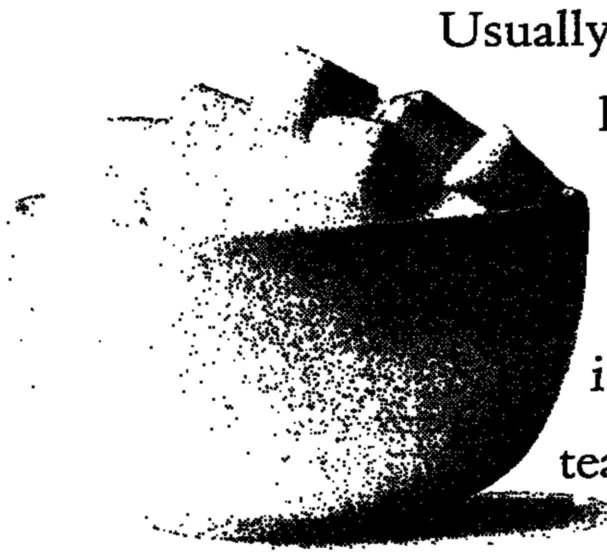
The government of Lithuania, which has proclaimed its inde*pendence from Moscow*, has begun to pay compensation to the population in advance of price rises expected to be imposed early next month, *writes John Lloyd in Moscow.*

Lithuanian wage-earners will receive a rise of Rbs105 a month (about 40 per cent of the average wage); unemployed will receive Rbs85. The money will be paid from the republican budget.

A MIRACLE CURE TO STOP 7,000 CHILDREN DYING EACH DAY FROM DIARRHOEA.

YOU'LL FIND IT ON YOUR KITCHEN TABLE.

Diarrhoeal disease is the biggest killer of children under five in the world.



Usually, it isn't diarrhoea itself that kills these children but the dehydration caused by it.

Dehydration so bad that it can stop a child producing tears when he or she cries.

There is a cure.

Doctors have proclaimed it as "potentially the most important medical breakthrough this century."

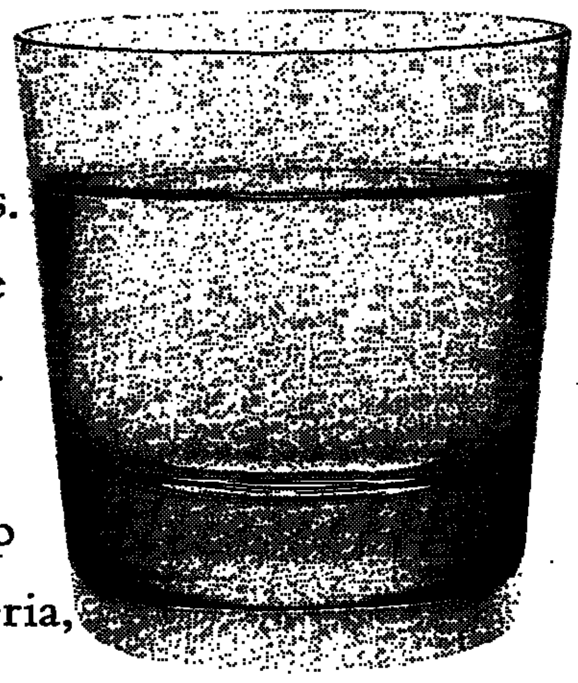
It isn't penicillin. And it isn't some new magical vaccine. It's sugar, salt and water. Mix them correctly and they provide the solution that will save these children.

This treatment, used by UNICEF, is called ORT (Oral Rehydration Therapy) and it is responsible for saving one million children every year.

One ORT sachet, enough to save one child, costs a mere seven pence.

But this is just one example of how cheap it is to save a child in the developing world.

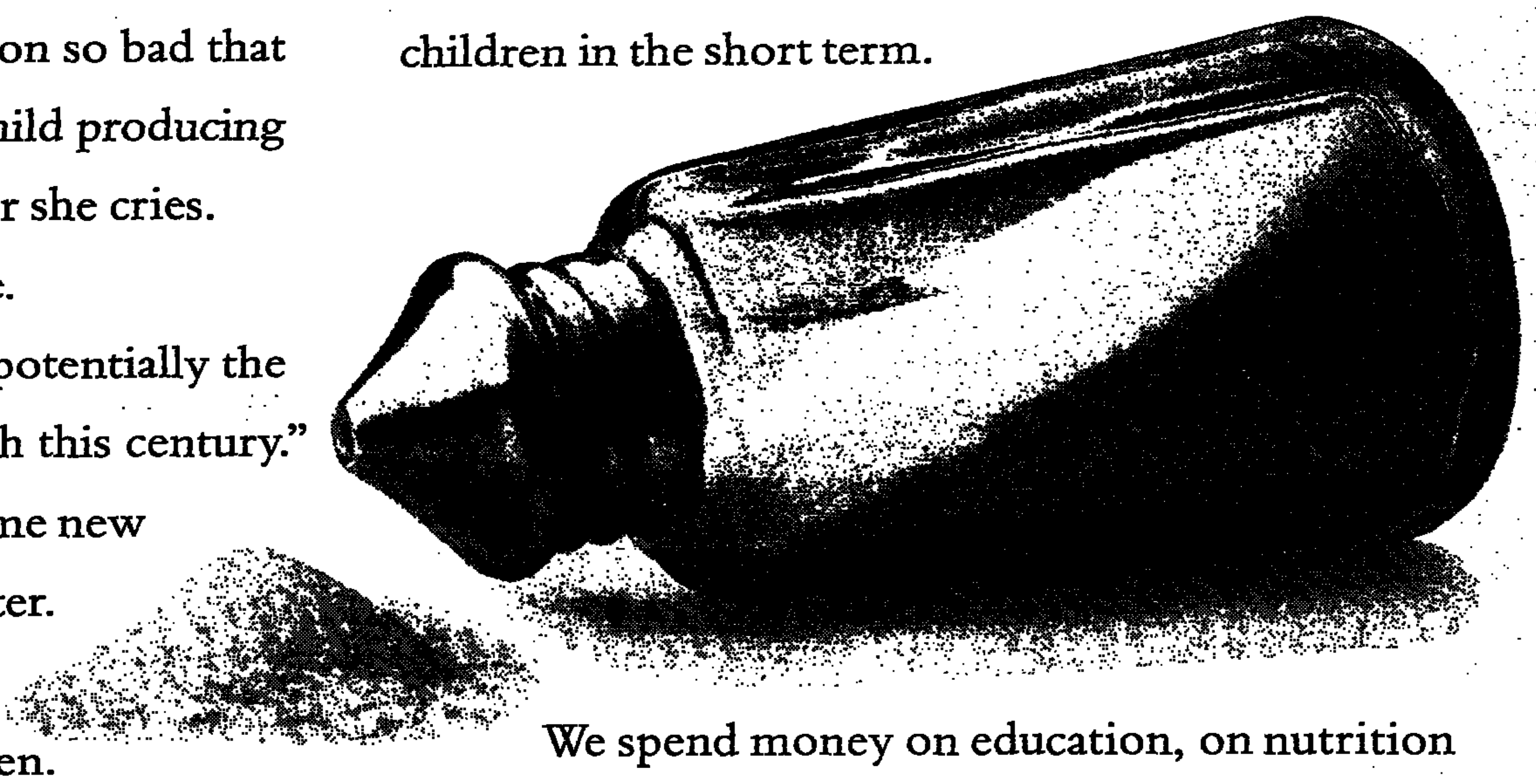
For just ten pence, we can provide the vaccine to save a child dying from measles.



Three pence provides the vaccine against tuberculosis.

And six pence is all it costs for the vaccines to help protect a child against diphtheria, whooping cough and tetanus. So far, UNICEF has helped inoculate about three quarters of the children in the developing world, saving two million young lives every year.

But we are not only interested in saving children in the short term.



We spend money on education, on nutrition and on supplying fresh drinking water to both children and adults alike.

An important part of UNICEF's support comes from voluntary contributions. So please give as much as you can.

The cure for so many diseases can be found in your pocket.

For further information or to make a donation please send this coupon to Room FF1, UNICEF-UK, 55 Lincoln's Inn Fields, London WC2A 3NB. Cheques payable to UNICEF. Please send a SAE if receipt is required.

Or telephone 081-200 0200 to make a credit card donation, quoting your Access or Visa Card number.

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THE UNITED NATIONS CHILDREN'S FUND

Brittan to press Tokyo and Seoul on freer markets

By Andrew Hill in Brussels

SIR Leon Brittan, European commissioner responsible for financial services and competition, is next week expected to urge South Korea to speed opening its financial markets to European companies, or risk reciprocal curbs on Korean institutions developing their business in the EC.

Sir Leon begins a two-nation visit to Japan and South Korea today, meeting the governor of the Bank of Japan. He flies to Korea on Sunday and will see the finance minister next day.

European banking, securities and insurance companies see South Korea as a harder market to penetrate than Japan. In both countries, Sir Leon is likely to stress that much remains to be done to ensure genuine equal access for EC financial institutions. The Commission plans to draw up a report by mid-1992 on how far European companies have been able to penetrate other financial markets. Publication could mark the point at which the EC will start taking any counter-measures.

In Japan, Sir Leon is likely to focus on issues such as government control of interest rates, curbs on inter-bank trading, and general access to securities markets. He aims to encourage the Japanese to develop competition policy as an essential part of the move to an open economy. On Friday, he meets members of parliament, industrialists and the chairman of Japan's Fair Trade Commission. Sir Leon is expected to raise the issue of Japan's restrictive distribution network and system of sole import agents, which EC officials say act as a discouragement to European exporters.

Sir Leon wants to pursue the principle in Japan and Korea that EC industry should be able to expand there in the way Japanese industry has expanded in Europe. He may also press Japan to allow foreign commercial banks to enter the market.

Sir Leon is likely to invoke Gatt and the counter-measures laid out in a number of EC directives in his attempts to persuade the Japanese and Koreans to open their markets. Last October, an EC official warned Tokyo that the EC trade deficit with Japan was too big, at roughly $25bn, (£12.6bn) and delays in removing obstacles to imports could hinder bilateral relations.

● Germany's Jos. L. Meyer shipyard has signed an agreement to build five passengers ships for Indonesia for DM523.2m (£181m), AP-DJ reports from Jakarta. Delivery of two 14,400-ton ships is set for May and December 1993, with delivery of three 6,100-ton ships expected between June and December 1994.

Korea hits US, Japan groups with high duties

SOUTH Korea has imposed high preliminary dumping duties of up to 108 per cent on one Japanese and two US companies for allegedly selling polyacethal resin on its domestic market at below their home market prices, Peter Montagnon, World Trade Editor, writes.

The decision, which affects E.I.Dupont de Nemours and Hoechst Celanese of the US, as well as Asahi Chemical Industry of Japan, is likely to fuel worries about the increasing use of anti-dumping measures by developing countries.

Trade economists in both Europe and the US are also more generally concerned that their governments' own active use of the anti-dumping weapon may backfire by encouraging developing countries to behave similarly.

The rapid shift from a surplus of $5.1bn (£2.57bn) into a deficit of $2.1bn in South Korea's current account balance of payments last year has also called in question its willingness to open its domestic markets.

The duties were imposed following a complaint by Korea Engineering Plastics. The Korea Trade Commission is due to decide by mid-April on whether injury has been caused to local industry. A definitive decision on the duties will be announced by the South Korean Ministry of Finance within three months.

South Africa looks for export-led growth

Businessmen feel encouraged to take a more positive view, Philip Gawith writes

"THINGS have changed, but it's not back to normal." The speaker is Mr Hermann Bohmer, an international marketing manager at KWV, South Africa's largest wine exporter; his comment reflects the experience of most South African exporters.

President F.W. de Klerk's reform initiatives have brought them to the threshold of normalised trade relations. But normality is not yet at hand.

The export environment has undoubtedly improved, although it has yet to translate into higher profits. But few doubt these will soon follow.

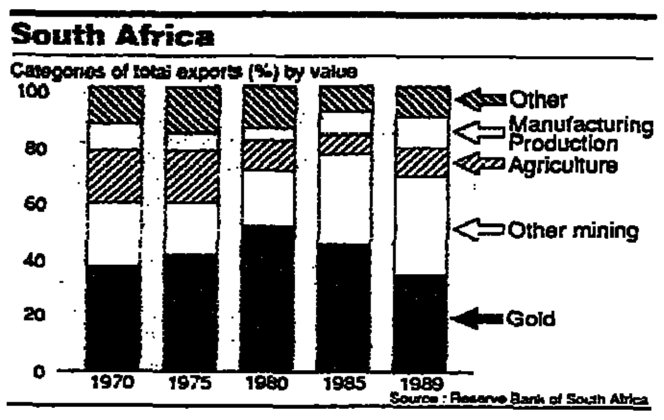
While financial sanctions inflicted considerable damage on South Africa, the experience of trade sanctions has been more ambiguous. The ratio of merchandise exports to gross domestic product, in real terms, increased from 12.6 per cent in 1983 to 20.4 per cent in 1989.

And 1990 was the seventh consecutive year in which the volume of exports increased, leading Dr Chris Stals, governor of the Reserve Bank, to conclude recently that trade sanctions "seemed to have had little effect on the country's total exports".

Dr Stals, however, would be the first to add two important caveats: without sanctions this performance would have been considerably improved; and, while volume exports have been maintained, this has often been at the expense of profit, with exporters being forced to use expensive middlemen and accept political discounts on their products.

A familiar example is coal, South Africa's second largest foreign-exchange earner after gold, which lost about 10m tonnes, or a quarter, of its export markets because of sanctions in 1986. The volumes have been replaced, but at a political discount of about $3 to $5 a tonne, costing the local industry about $200m (£101m) a year. But Mr Mike Salamon, managing director of Trans-Natal coal, a major exporter, believes that discount is already disappearing as international relations improve.

Likewise steel. Sanctions cost South Africa its two most profitable markets, the US and the EC, where it was selling about 0.5m tonnes of steel a year in each. Mr Lesley Boyd, chairman of Highveld Steel, one of South Africa's major producers, is optimistic about prospects. "We're very confident of regaining these markets. At R5 to the pound, we'd love to be selling in Britain."



Already there is clear evidence that the deciduous fruit industry is benefiting. Sales to Holland, for example, have increased five-fold as attitudes to South Africa have improved. Soft fruit sales exports are 20 per cent up on 1990 figures.

Mr Wim Holtes, chief executive of the South African Foreign Trade Organisation, believes the major effect of South Africa's improved reputation has been a boost to confidence. "There is a tremendous feeling of optimism – that we will be able to access any market we want. Also, people at an official level are going to do business with South Africa, whereas in the past business was done at an unofficial level." He said it might be a while before the benefits of the improved climate fed through. Businessmen were reluctant to invest in new plant when the climate was difficult and returns unfavourable.

Mr Holtes believes profits will improve as South Africa is able to participate publicly in the best markets. Development of long-term contractual relationships – instead of doing most trade in the spot-market, involving small parcels – will also make exporting more attractive. "As you get big buyers coming through, so investment will be made."

Much is heard in South Africa about the need to generate export-led growth, particularly from manufactured goods. The role of gold has become less prominent. Mr Barend du Plessis, minister of finance, boasts proudly that he has not mentioned the word gold in a major policy speech since taking office in 1984.

To some extent the government's efforts to diversify have succeeded: gold's share of exports dropped from 50.9 per cent in 1980 to 32.7 per cent in 1989. Yet South Africa remains a commodity exporter. Primary products, including mining, farming, fishing and forestry, made up 71 per cent of exports in 1989.

Manufactured goods have gone from 18 per cent of exports in 1980 to 29 per cent in 1989, so there has been progress. The real test will be whether this trend can be maintained, even accelerated.

With the improved political climate, prospects must be good. Exporting was hazardous in the sanctions years. Now that restrictions are slowly being removed, businessmen will feel encouraged to take a more positive look at prospects.

Wine exporters benefit from better trade climate

SOUTH Africa's big wine exporters are already benefiting from the improved trade climate resulting from political reforms in the country. But they are aware of the problems of regaining, or capturing, market share, Philip Gawith reports from Johannesburg.

They also remain extremely cautious. Instincts cultivated in a siege environment have not fully been discarded.

But Mr Hermann Bohmer and Mr Dick Coleshaw, international marketing executives at KWV and Stellenbosch Farmers Winery (SFW), the country's two biggest exporters, are bullish. They report a "fantastic" upsurge in export interest, while cautioning that these will only translate into sales when apartheid legislation is actually repealed. Currently, about 20 per cent of the 900m-litre annual crop is exported, mostly in bulk.

Mr Bohmer believes the favourable exchange rate position means South African wines offer a good price/quality relationship. Novelty is a factor: South African wines have, for most practical purposes, been off the international market. Yet they come without the risk of the total newcomer. Completeness is another: shops want to be able to offer a full international portfolio. Finally, there is the "forbidden fruit" element: customers will be curious to know what they have been missing all these years.

There are also some negatives to the equation, particularly the recent advance of the New World wine regions of California, New Zealand and Chile. "We are going back into a far more competitive situation," says Mr Coleshaw.

South Africa's persistent double-digit inflation rate is a problem. "If we go to our markets with 15-20 per cent price rises, they become hysterical. We're going to have to be careful not to price ourselves out of our markets." A priority will be regaining lost markets - predominantly the US and Commonwealth.

Troops watch as women enter a polling centre for Bangladesh's first free elections in 20 years

Torture 'routine in Burma jails'

By Roger Matthews

FURTHER evidence of the gross violation of human rights in Burma and the regime's refusal to hand over power to the victors of last May's general election is provided in a new report drawn up by the United Nations Commission on Human Rights. The report is being discussed by a meeting of the commission in Geneva this week.

Professor Sadako Ogata of Japan compiled the study after a six-day visit to Rangoon at the beginning of November last year, made with the co-operation of the Burmese authorities. She has subsequently been appointed UN High Commissioner for Refugees.

Since Mrs Ogata's trip to Burma, the ruling State Law and Order Restoration Council (Slorc) has continued to arrest opposition politicians, has banned more parties and, despite protestations to the contrary, has shown no indication of ever relinquishing power voluntarily.

Mrs Ogata was denied access to all the detained politicians she wished to see, including the leaders of the National League for Democracy (NLD), which won a huge majority in last year's general election. She was also unable to visit any prisons or other places of detention where torture is said to be almost routine.

The report is remarkable for its fairness in presenting the Slorc arguments, and for the moderation of its language. It concludes that there is no evidence to support the regime's contention it is preparing to hand over power, while the detention and imprisonment of opposition politicians served only to negate Slorc's contrary assertion.

Mrs Ogata reported the particular distress experienced by families trying unsuccessfully to locate people who had been arrested, and her concern that a member of the NLD she wished to see had died in custody during her visit to Burma.

A few weeks after Mrs Ogata's trip to Rangoon, Slorc formally banned the NLD and this year has banned four more parties. It has also moved more forcefully against Buddhist monks, who were in the forefront of the popular movement to establish democracy in the summer of 1988.

Hundreds of monks have been arrested this year amid an increasing number of raids on monasteries. Simultaneously, Slorc officials have begun to make public gifts to selected senior monks, presumably as a reward for remaining loyal to the regime.

India grounds helicopters again

By David Housego in New Delhi

THE Indian government has for the second time grounded India's entire fleet of 19 Westland-30 helicopters acquired from Britain under an aid grant in 1986.

The suspension of flights means there is little chance the aircraft will fly again. Air Commodore C.M. Singla, chief executive of Pawan Hans, the Indian public-sector company that has operated the helicopters, said yesterday he had asked the government for the cost of maintaining the aircraft to be taken off the company's books.

Even though flights have been suspended, Pawan Hans is currently still obliged to bear the costs of depreciation and insurance. The British government is opposed to the transfer of the helicopters to the military, probably the only possible customer. British aid rules prevent transfer of equipment purchased under an aid grant to a military user.

The second grounding of the helicopter fleet came after what Pawan Hans claims were a "worsening trend in the machine's performance" and "unscheduled stops".

Air Commodore Singla says staff of the Oil and Natural Gas Commission (ONGC), the state-owned oil group for which Pawan Hans was operating flights, refused to fly on the aircraft. Rolls-Royce, manufacturers of the Gem engine that powered the helicopter, said that when the second grounding occurred, 34 serviceable Gem 60 engines were available for the Pawan Hans fleet and that engines were being repaired in sufficient quantities to support the ONGC operation fully.

Rolls-Royce said a committee headed by Dr S.A. Hussainy, appointed in 1989 to look into the safety and maintenance of the Westland-30, had made no criticism of the helicopter in terms of safety or airworthiness.

Of the original fleet of 21 helicopters, two have crashed – one as a result of pilot error and the other because of a maintenance failure. In December 1989, a third helicopter made a hard landing soon after take-off, prompting the Indian government to suspend operations of the fleet for the first time.

Drive for 'Gatt Plus' trade group

SENATOR Lloyd Bentsen, US Senate finance committee chairman, will hold hearings on possibly creating a new multilateral trade organisation, sometimes called "Gatt Plus". Nancy Dunne reports from Washington. This would be for nations pledged to greater liberalisation than seems achievable under the General Agreement of Tariffs and Trade.

The senator, a likely candidate for the Democratic presidential nomination next year, was an architect of the 1988 trade legislation, which fended off most protectionist demands in Congress, endorsing a drive to gaining more access to foreign markets for US business.

The senator has complained about the Most Favoured Nation (MFN) principle inherent in Gatt. This, he said, encourages "hitch-hiking" by countries granting few concessions but benefiting from the "small group which gives a lot". In the current Uruguay Round, only three countries have offered specifically to liberalise trade in services.

Mr Bentsen said the finance committee, which holds jurisdiction over trade in the Senate, will explore the MFN problem and the possibility of setting up a "Gatt Plus". Limiting benefits to those countries willing to pay the price would encourage concessions from others, he said.

President Bush will by tomorrow formally seek an extension of his "fast-track" negotiating authority, to permit an extension of the talks under the Uruguay Round and negotiations for a North American Free Trade Agreement. Mr Bentsen said the request would be opposed by "forces" against either the Round or the FTA. Either house can kill the request within 90 days of submission by majority vote.

LABOUR PARTY

UK opposition condemns Saddam

By Ivo Dawnay, Political Correspondent

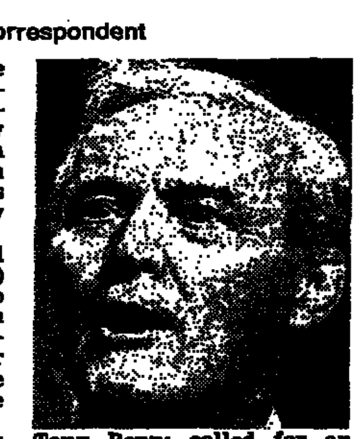
THE national leadership of the opposition Labour Party yesterday implicitly endorsed continuing allied military operations in the Gulf with a strongly worded condemnation of President Saddam Hussein's failure to take the necessary steps to stop the war.

But the party's national executive committee (NEC) also signalled a possible end to the cross-party consensus on the Gulf crisis when it emphatically reaffirmed its support for the United Nations' to take the leading role in brokering the peace.

While a motion passed by the NEC underlined that the government has limited its war aims to the UN security council resolutions, there is widespread suspicion among Labour backbenchers that Washington may seek UK backing for efforts to enforce a peace on the coalition's terms.

Mr Douglas Hurd, the foreign secretary who was last night discussing peace objectives in Washington, has hinted that the Gulf Co-operation Council could have an enhanced role in policing the region.

While excluding the permanent presence of land forces from the western allies, he has not ruled out a continued naval presence in the Gulf area.



Tony Benn: called for an immediate ceasefire

Labour looks unlikely to back such a position if it is not explicitly part of a package of peacekeeping measures agreed under the UN's leadership.

Yesterday's motion, agreed by 18 votes to three, strongly condemned "the inhumanity of Saddam Hussein" in refusing to take action to "ensure no further harm comes either to the Iraqi people and the Iraqi forces or to other civilians and forces in the area."

An amendment, tabled by left-winger Mr Tony Benn, calling for an immediate ceasefire was defeated by 18 votes to five with Mr Dennis Skinner, Ms Clare Short, Ms Anne Davies and union representative Ms Barbara Switzer voting in support of the veteran rebel.

But the resolution then went on to highlight the UN's role at the end of hostilities. It insisted that the UN and the international community should use "political and diplomatic means" to enforce disarmament "and the ending of regional super power status for Iraq and for every other country in the region."

Backing an international conference as "an essential means" for achieving peace, it also undertook to work for "the strengthening and modernising" of the structure and effectiveness of the UN.

In a radio interview later yesterday, Mr Gerald Kaufman, the party's foreign affairs spokesman, said that reports that Iraq had agreed to comply with the 12 UN resolutions but demanded the end of economic sanctions did not make sense.

"You can't say that you accept all the resolutions and then immediately say that you don't accept three of them," he said.

● Labour's NEC yesterday formally launched an investigation into the Labour group on Lambeth council in south London following the furore over its intervention in the Gulf crisis.

The party leadership was infuriated last month when rebel councillors, critical of official policy, ignored warnings from party headquarters and pressed ahead with a debate on the war.

Ensuing hostile press headlines claimed that Labour had forbidden council employees from demonstrating support for Britain's armed forces.

Announcing the investigation yesterday, Mr Larry Whitty, the party's general secretary, said that Lambeth councillors had no authority to discuss the issue.

Lambeth has long been regarded by officials at Labour's Walworth Road headquarters as one of the last hotbeds of the so-called "loony left" who are held to have damaged the party's performance in London at last year's local elections.

BBC attacks curbs on product advertising

ANY ATTEMPT to restrict the BBC advertising its products on its own channels would be "perverse", according to Mr Michael Checkland, director general, writes Andrew Jack.

"To stifle our enterprise at a time when the government itself has been urging us to bigger and better endeavours is hardly logical," he said in a speech read on his behalf by Mr Howell James, BBC director of corporate affairs, at the FT conference on cable TV and satellite broadcasting.

His comments came after proposals in the Sadler report on cross-media advertising to restrict the BBC's ability to promote its own publications.

Mr Checkland also revealed details of the taskforces being established to advise on the renewal of the corporation's charter. Fifteen groups, guided by McKinseys, the management consultants, will review all aspects of the BBC's activities, including its international role.

FT CONFERENCE
CABLE TV & SATELLITE BROADCASTING

Mr Andrew Knight, executive chairman of News International, called for an end to the technology war between D-MAC and PAL, the competing satellite transmission technologies. He warned that the D-MAC standard, endorsed by an EC directive in 1986, was misguided and could lead to Europe being left behind the rest of the world.

Mr Knight said he believed it would be possible to find common ground between the two standards "quite quickly".

Mr Jon Davey, director of cable at the Independent Television Commission, said the number of British households connected to cable TV was 149,000 on January 1, compared with 87,000 at the same time last year. However, he warned that the recession, and the credit squeeze affecting US backers, was slowing the industry's expansion. He predicted that pressures towards consolidation among cable franchisers would quickly reduce the current 35 companies to about 25.

Mr Stewart Blair, vice-chairman, chief executive officer and director of United Artists Entertainment, was more optimistic. He released details of a £32m partnership between his company and a group of UK operators representing nearly 60 per cent of the market to supply a 24-hour news channel and another showing "classic American serial TV shows".

Mr Bill Cotton, chairman of Noel Gay Television, said the high quality of British broadcasting was a function of stability, which would be in short supply in the 1990s. He predicted that the independent production sector would soon comprise a few large companies, and said other broadcasters' hostile attitude towards them would have to change.

NATIONAL INSTITUTE REVIEW FORECAST

	Home economy							World economy		
	Total	Real GDP† Non-oil	manu. output‡	Jobless♣	RPI♥	Current Balance♠	PSBR♦	Real GNP☆	Consumer Prices	World Trade★
1990	1.0	1.0	-0.3	1.8m	10.0	-£16bn	-£1bn	2.4	4.4	5.5
1991	-1.4	-1.6	-5.8	2.4m	4.2	-£9bn	+£5bn	1.6	4.6	6.1
1992	2.1	1.9	1.0	2.6m	4.2	-£10bn	+£9bn	2.5	4.3	7.2

†Output measure, % change, year on year. ‡% change, year on year. ♣UK, wholly unemployed (excluding school leavers), fourth quarter. ♥% change, fourth quarter on fourth quarter. ♠year. ♦ Fiscal year. ☆major seven countries, % change, year on year. ★ Volume of world trade, % change, year on year.

Researchers say recession to continue

By Peter Marsh, Economics Staff

THE recession is deepening, with no sign that the end is in sight, the National Institute of Economic and Social Research says in its latest review published yesterday.

It predicts more pressure on company profits later this year and "a further substantial rise in company failures, bankruptcies and job losses."

The institute, an independent research group, expects a modest upturn in the economy after the summer, fuelled by cuts in interest rates and inflation, but warns this will have little impact on the numbers of people out of work, which will carry on rising until well into next year.

By the end of 1991, unemployment is likely to rise by about 500,000 to reach 2.5m. It will peak at about 2.6m in late 1992.

The gloomy forecast on the jobless total next year will not be welcomed by the government, which by mid-1992 has to fight a general election. The institute says an election remains a "real possibility" this year.

Changes in the UK economy will be against a background of weakening economic activity in the other large industrialised nations.

The institute predicts output growth this year of 1.6 per cent in the leading seven developed countries – the US, Japan, Germany, France, Italy, Canada and Britain – as against 2.4 per cent last year. The Japanese and German economies are likely to continue to expand relatively strongly, while output growth in the US and France will remain sluggish.

Although the institute believes the rate of rise of retail-price inflation in Britain will be down to about 4 per cent by December, compared with 9 per cent in January, it says that large rises in wage costs remain a big problem both for UK employers and the government.

To counter this trend, it suggests a new European inflation index, based on price levels in the main European countries, as a way of publicising trends of inflation outside Britain.

This new index could be used in pay bargaining negotiations, with the support of trade unions, the government and large employers, as a way of bringing pay rises throughout European countries closer into line.

Virtually all areas of the UK economy will be hit by this year's downturn, according to the review, with total output likely to fall to 1.5 per cent. This will be the first significant fall in output since the recession in 1981, which saw an output decline of similar proportions.

Particularly sharp falls in production are likely this year in manufacturing, distribution and construction.

Manufacturing, output from which is expected to decline by nearly 6 per cent this year after several years of sustained growth, will probably reach a low point only slightly above its production level in 1979, the institute says.

The institute is particularly gloomy on unemployment. Heading the dole queues will be workers in manufacturing and construction, although the self-employed and people with jobs in service sectors will also be hard hit.

The review warns that the government's official figures may underestimate the extent of job losses.

"This arises from the fact that the non-manufacturing sector contains many part-time female workers who do not qualify for unemployment benefit and (who) will consequently not appear in the official unemployment count," it says.

Depressed demand and weak business confidence will lead to an 11 per cent decline this year in fixed investment.

Capital spending in manufacturing is likely to fall 17 per cent over the year, while housing starts are likely to fall by by 11 per cent.

The outlook for exports, which have grown strongly in recent years, is reasonably favourable.

World trade is likely to expand by more than 6 per cent this year, compared with 5 per cent last year. UK exports should have "a good year" in 1992, says the review, although their growth in 1991 will be limited to 1.5 per cent, after 5 per cent last year.

Buoyed by the modest recovery later this year, sparked partly by an expected drop in base rates to 12 per cent by December, consumer spending should pick up by about 1 per cent in 1991, after showing no increase in 1990.

With the upturn in spending by consumers should come further growth in the UK stock market and a recovery in the housing market, leading to a 2 per cent increase in overall output next year.

BRITAIN IN BRIEF

Tories keen to privatise British Coal

A clear commitment to privatise British Coal during the lifetime of the next parliament will be included in the Conservative party general election manifesto, senior ministers have decided.

British Coal is one of the few large nationalised industries left to be sold, once the sale of the electricity supply industry is completed this year.

Officials from the Department of Energy are now working intensively with British Coal on some of the technical issues that need to be resolved before privatisation.

These include the future of British Coal's responsibilities for mining subsidence, pension payments to the large number of retired miners, and licensing of small private mines.

Poll tax gets radical review

Mr Michael Heseltine, the environment secretary, refused to say whether the government planned to scrap the controversial poll tax which pays for local services. However, he confirmed that he was considering a return to a property-based system of local taxation.

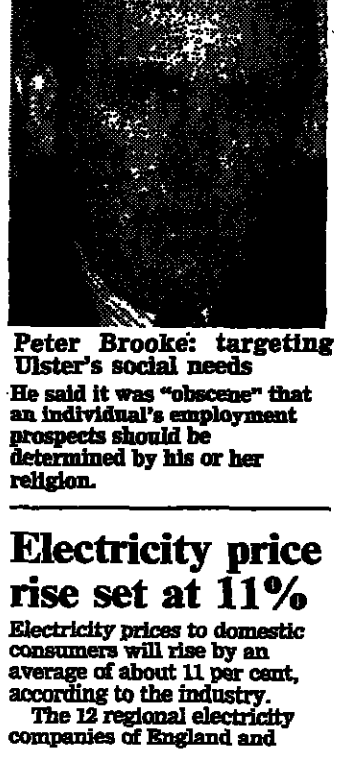
Speaking in the House of Commons, he avoided saying whether he was prepared to see the abandonment of the "poll tax principle".

Instead, Mr Heseltine confirmed that the government's review of the charge, now into its second month, would look at all options, including domestic property taxes.

Ulster job equality urged

The government is to give greater priority to improving the job prospects of Protestants and Roman Catholics in the most deprived areas of Northern Ireland, Mr Peter Brooke, the Northern Ireland secretary, said.

Mr Brooke said "targeting the social need" would be a third public expenditure priority in the province, in addition to law and order and strengthening the economy.



Peter Brooke: targeting Ulster's social needs

He said it was "obscene" that an individual's employment prospects should be determined by his or her religion.

Electricity price rise set at 11%

Electricity prices to domestic consumers will rise by an average of about 11 per cent, according to the industry.

The 12 regional electricity companies of England and Wales will announce increases to domestic consumers of between just under 10 per cent and 12 per cent from April 1, a number of regional companies confirmed.

The new prices will be subject to regulation by Offer, the industry's watchdog, which can invoke a special price-capping formula or "subsidiary cap".

Single European pensions market

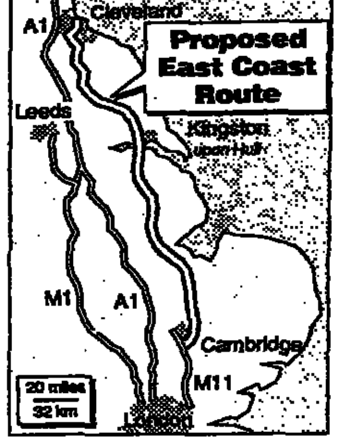
The working paper issued recently by the European Commission setting out ideas for a single European pensions market offered exciting possibilities for UK investment institutions, Mr David Darbyshire, partner in the accountancy firm, Arthur Andersen, said.

He said the proposals, if incorporated in the subsequent directive, would offer institutions a larger number of funds to manage, including funds which far exceeded in size those of the largest UK pension funds, British Coal and British Telecommunications.

North-south link proposed

Local authorities from east and north-east England have published proposals for a £950m road stretching 240 miles from London to Cleveland.

The road would provide a direct, fast route along the east coast of England from the end of the M11 near Cambridge to Lincoln, Hull, York and Teesside, in north-east England, where it would join the A19 west of Hartlepool.



The project's sponsors say that north-south communications between these areas are unsatisfactory because the A1 – itself due to be upgraded to motorway standard – is too far west to serve them properly.

It believes a high-quality road built to motorway standard would increase the east's competitiveness in an increasingly integrated Europe and lead to the creation of up to 60,000 jobs.

Greens fear more acid rain

Many power stations in Britain will continue to cause acid rain, which damages lakes and forests, despite the government's stated commitment to cut this type of pollution, according to the environmental organisation Friends of the Earth (FoE).

It named power stations which, it claims, will cause acid rain in vulnerable areas because they will not be fitted with expensive equipment to remove sulphur dioxide from emissions.

FoE also accused the Department of the Environment of delaying publication of detailed maps showing which parts of the country were vulnerable to various types of pollution.

The department denied this and said the maps would be published very shortly.

Coastal warning

Posters will be put up at British coastal resorts this summer giving water quality on local beaches so that holidaymakers can assess pollution levels.

Nissan to fight UK distribution case in Japan

By Kevin Done, Motor Industry Correspondent

NISSAN MOTOR, the Japanese car maker which is embroiled in a fierce legal battle with Nissan UK, its privately-owned British distributor, hopes to settle the dispute through arbitration in Japan to avoid an embarrassing confrontation in the English courts.

At the beginning of February, Nissan UK issued a writ against Nissan Motor seeking to stop the Japanese car maker ending its lucrative UK distribution agreement and claiming substantial damages.

Nissan Motor said yesterday that under the terms of the original distribution agreement, which came into effect at the beginning of 1971, any disputes were to be settled under international arbitration rules in Japan.

It said it expected a High Court hearing to be held in April or May to determine whether the case should proceed in the UK or in Japan.

The row between the two companies erupted publicly at the end of December when Japan's second largest car maker said it had given NUK notice to terminate the distribution agreement with effect from the end of 1991.

Nissan accounts for more than 5 per cent of the UK new car market, more than double its closest Japanese rival, with sales last year of 108,000 cars and 7,000 commercial vehicles.

NUK has held the exclusive importer/distributor franchise for Nissan vehicles in the UK for 21 years and has built up a 380-strong dealer network.

Botnar: fighting Nissan move

Nissan Motor has said it planned to establish its own dealer network to begin operations in early 1992, and is already in negotiation with several of the larger publicly-quoted UK dealer groups as well with hundreds of independent dealers.

NUK is controlled by Mr Octav Botnar, a 77-year-old German national of eastern European origins, as chairman and managing director.

Mr Botnar is also chairman and managing director of Automotive Financial Group Holdings, the biggest motor dealer group in the UK, which currently accounts for more than half the new Nissan vehicles sold in the UK through its 170 AFG dealerships.

Industry to seek lower interest rates

BRITISH industry has seen its annual interest rate bill cut by around £500m in the last two weeks but companies made it clear yesterday that they need further reductions to help them emerge from the recession, writes Our Industrial Staff.

The latest cut was welcomed as a move which would reduce costs and also help in the restoration of consumer and business confidence.

Several companies and organisations indicated their belief that the bottom of the recession may now have been reached and that an upturn is finally underway and might now begin to accelerate.

Hope was expressed that the step-by-step reduction in interest rates would continue and that a further cut could still be announced around the time of the budget on March 19.

The Confederation of British Industry, yesterday described the latest reduction as "precisely the right move".

Mr John Banham, the CBI director general, said industry would be encouraged by the cut, which would have to be followed by further reductions as inflation continued to fall. And Mr Peter Morgan, director general of the Institute of Directors, said the move should help reassure business that the worst was over.

Dollar holds key to cut in interest rates

Peter Norman on why economic indicators are increasingly taking a back seat

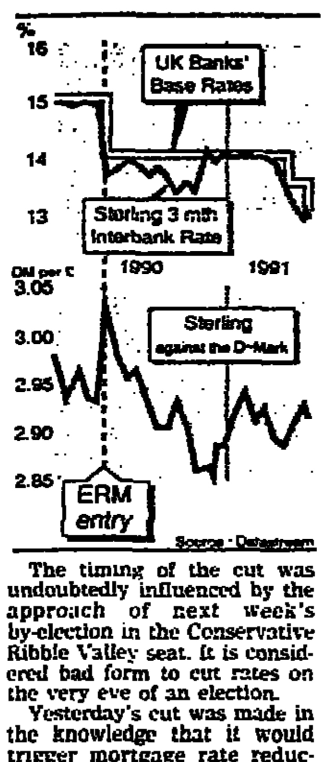
BRITAIN'S ability to cut the bank base rate by a half percentage point for the second time in two weeks owes as much to the recovery of the dollar on foreign exchange markets as new evidence of disinflation in Britain.

For although the pound has been a member of the exchange rate mechanism of the European Monetary System for four and a half months, it is still subject to the pull of the greenback.

Sterling has come to occupy a pivotal position between the dollar and the D-mark, reflecting Britain's closer trading and financial ties with the US. In the two weeks between the half point base rate cut on February 13 and yesterday's cut in rates to 13 per cent, the dollar rose by more than 5 pfennigs against the D-mark lifting the pound by more than two pfennigs in its wake, and off the bottom of the ERM grid.

The importance of the dollar rate in yesterday's base rate decision illustrates how the Treasury and Bank of England surveyed a wide range of data before deciding on their latest cautious easing of the UK's monetary stance.

The authorities had felt for some time that domestic economic indicators such as money supply and bank lending were no longer standing in the way of a new base rate cut.



The timing of the cut was undoubtedly influenced by the approach of next week's by-election in the Conservative Ribble Valley seat. It is considered bad form to cut rates on the very eve of an election.

Yesterday's cut was made in the knowledge that it would trigger mortgage rate reductions; with hopes that it would attract favourable comment in the weekend press and add to any general sense of national well-being prompted by the successful prosecution of the Gulf war.

But lower interest rates would have been impossible, had the authorities not been able to convince themselves that financial markets would accept the move and that the process of disinflation is continuing.

Interest rates on the domestic money market were clearly discounting at least a half percentage point cut by the end of last week. It was then that operators shrugged aside some mild signals from the Bank of England that it wished to retain base rates at 13.5 per cent. The way the foreign exchange, money and futures markets brushed aside Monday's worse-than-expected UK trade figures for January gave the final green light to the Bank of England to signal a base rate cut in early money market operations yesterday.

That was after further evidence of disinflation. The latest CBI industrial trends survey, which was published on Monday, suggested that few companies planned to raise their output prices over the next four months. The message was bolstered by evidence of a slowdown in pay settlement levels.

A CBI report on Tuesday, saying that settlements in manufacturing industry were showing their biggest quarterly fall for four years, matched findings of the Bank of England's agents dotted up and down the country that the inflationary pressures from wage inflation were easing.

The favourable trends on the foreign exchange markets enabled the Treasury and the Bank to cut rates somewhat sooner than had been expected at the time of the last rate reduction. Yesterday the authorities were at pains to underline their cautious approach to further rate cuts, although another half percentage point reduction around Budget day on March 19 must be a strong probability.

Future rate cuts will depend on the downward path of Britain's inflation rate. Inflation, as measured by the retail prices index, was 9 per cent in January. February's RPI is due to be announced on March 22, after Budget Day, although by then both the Treasury and Bank should have a clear idea of what it is. Big falls in the annual UK inflation rate will come in April, when last year's poll tax increase drops out of the index.

Because the pound is linked to the D-mark through the ERM, the relationship between interest rates and inflation in Germany gives a rough guide to UK interest rate trends.

The differential between German inflation and the Bundesbank's 9 per cent Lombard rate, which generally serves as a ceiling for German money market rates, has been running at between five and six percentage points.

On this basis, yesterday's cut in UK base rates might appear ambitious were it not for the new evidence of disinflation in conditions of recession.

If, as is widely expected, Britain's annual inflation rate falls to 5 per cent or below by the end of this year, it would be reasonable to expect base rates of between 10 and 11 per at that time.

Home loan rates began to fall swiftly yesterday in the wake of the cut in the banks' base rates, as the Halifax, the largest home loans and savings institution with more than 1.8m borrowers, said it would cut its rate by 0.75 percentage points to 13.75 per cent or lower from April 1. The cut will mean a reduction of £26.55 a month on an endowment mortgage of £50,000.

Other large home loan institutions indicated that they were moving in line with the Halifax.

Savings rates will also fall, with Nationwide, the second largest institution, saying it anticipated a cut of 0.75 percentage points on its deposit rates.

Jaguar strengthens German foothold

JAGUAR, the UK luxury car maker, is to take over full control of Jaguar Deutschland, its German importer/distributor, in order to strengthen its presence in the world's second largest luxury car market, writes Kevin Done.

Jaguar, a subsidiary of Ford of the US, has signed a preliminary agreement to buy the 65 per cent stake in the distribution company held by the Frey group of Switzerland.

The deal is expected to be concluded by the end of March.

Jaguar Deutschland was established as the Jaguar importer for Germany in 1984 when the UK car maker separated its European distribution arrangements from British Leyland, the then state car maker.

Jaguar held a 35 per cent stake and the Frey group 65 per cent. Frey will remain the Swiss Jaguar distributor.

Mr John Grant, Jaguar deputy chairman, said that the company's "ambitious growth plans" for Jaguar in Germany could best be realised by assuming full control of the German company. The country's Jaguar sales have grown slowly in recent years from 2,156 in 1987 to 2,479 last year.

It holds only 4.9 per cent of the German luxury car market in the face of fierce competition from the domestic producers Mercedes-Benz, BMW, Porsche and Audi, but the company said that it is seeking to more than double this share during the 1990s to around 10 per cent.

Jaguar is aiming to more than treble production to over 150,000 cars a year by the end of the decade, and success in the German market is vital.

Last year Germany was Jaguar's fourth largest market behind the US (18,728), the UK (10,664) and Japan (2,502).

When the deal with Frey is completed Jaguar will control its distribution in four countries, the US, Canada, the UK and Germany, while it holds minority stakes in its importers in Japan, Taiwan and Italy.

In another step to strengthen its European distribution Jaguar formed a new joint venture in Italy, Jaguar Italia, at the beginning of the year in which it holds a 26 per cent stake, with stakes of 37 per cent each held by its previous importers Bepi Koelliker and Fattori Montani.

Sweden: the land of the midnight shop

John Burton reports on the ramifications of a study into deregulated retailing hours

Retailers wishing to open on Sundays in the UK may glean comfort from Sweden's experience

An extensive *investigation of* deregulated retail hours in Sweden claims that the existence of evening and Sunday shopping has resulted in "an increased downward pressure" on consumer prices. The conclusion is *likely to fuel the debate within* other EC countries about the merits of unrestricted shopping hours.

Opposition to deregulated shopping hours has been based on claims that it is economically inefficient and will result in the closure of small shops that are unable to compete fully with larger outlets operating seven days a week. But *the results of the government*-mandated Swedish study challenges these arguments.

The chairman of the inquiry, Ake Hallman, the president of Sweden's Apoteksbolaget pharmacy network, recommends that unrestricted *shopping hours be retained*, although the system has been criticised by the country's shopworkers' trade union.

"Sweden is considered a laboratory for the examination of this issue since it has permitted unregu*lated shopping hours for the last 20* years, longer than any country in Europe," says Malcolm Hurlston, a UK retailing consultant. "The Swedish study is likely to be influential since it is not only intellectually rigorous but also based on extensive experience." *The OECD*, for example, is expected to rely on the Swedish study for a major report on the subject.

The Swedish study found that "a majority of Swedes like the current system, although most do not shop after 8 in the evening or on Sundays," says Hallman. Sixty-three per cent of consumers and 54 per *cent of all retail* employees said that shops should decide their own opening hours. The wide acceptance of unrestricted hours is probably a consequence of the number of women in the Swedish labour force – 80 per cent of women *between 16 and 64 are in work.*

A surprising finding was that Sundays account for only 6 per cent of total sales compared with 25 per cent on *Fridays* and 12 to 16 per cent during the rest of the week. The study noted, however, that the *share of Sunday sales in supermar*kets, department stores and hypermarkets was about 9 per cent and that other retail outlets, such as furniture stores, had many visitors who completed their purchases later in the week.

Approximately 80 per cent of all department stores and hypermarkets are now open on Sundays in Sweden compared with 22 per cent in 1972, when restrictions on opening hours were repealed, while 54 per cent of supermarkets and 48 per cent of furniture stores also now operate on Sundays.

Hypermarkets and larger super*markets have increased their share* of the market for food products and convenience goods as a result of unrestricted shop hours, but small convenience stores have also grown rapidly. Department stores and smaller supermarkets have seen *their share* for these goods shrink.

The most controversial conclusion, based on a competition model using econometric methods, was that unrestricted hours have led to downward pressure on prices. Increased opening hours mean both higher labour productivity and better use of capital since personnel and store space are used more efficiently. This results in increased competition among outlets which gradually reduce their prices. The analysis contends that, because of increased labour productivity, there is not a significant increase in average hourly labour costs.

But the Swedish shopworkers' union, which participated in the study, disagrees with that finding. It claims that a majority of shopowners it surveyed believed that longer store hours lead to higher prices.

Kenth Pettersson, the union's vice chairman, argues that unrestricted shop hours "benefit supermarkets and department stores since they can better use their larger store space at the expense of smaller shops".

The union representing store managers argued that the study had ignored the possibility that profitability would increase while prices *would* remain unchanged if opening hours were regulated.

The shopworkers' union, which has campaigned to reinstate a closing time of 8 pm on weekdays and Sunday closures, has claimed that longer hours expose employees to a greater risk of robbery during evenings and weekends.

While the study conceded that the number of robberies had increased on Sundays, there were also more during the week and there were more in rural areas where lengthy shop hours are less common than in the main cities.

"Stores are at greatest risk of robbery between six and seven on weekday *evenings when stores* would remain open even under the regulated system," says Hallman.

Back to the basics of beauty

Karen Zagor explains how the US Avon *Products has* put a *gloss back on its results*

Thanks partly to the efforts of Sallie Cook, a 52-year old with salt-and-pepper hair and a soft Virginia accent, Avon Products *has achieved record* sales in 1990 of \$3.45bn, against \$3.3bn in 1989, at a time when the recession has left most US retailers complaining of slower sales and falling profits.

Cook, who has sold cosmetics, soaps and toys door-to-door for nine years, is not an ordinary Avon Lady who typically works *about 15 hours a week a* year ringing up sales of about \$15,000. Cook is part of Avon's elite, a group of women who have turned door-to-door selling into full-time careers, raking in sales of between \$100,000 and \$200,000 apiece, and contributing about \$3m to the company's revenues.

*Avon's recovery, after a lack*lustre performance through most of the 1980s, has been attributed to James Preston, 57, who joined the company as a trainee in 1964 and became its chief executive in 1988. Preston has steered Avon back to its core business of direct-selling after an ill-advised courtship with diversification in the mid-1980s.

"We were a victim of our *own* success in the early 1980s," says Preston, "when people felt diversification was essential and that direct selling wouldn't grow because of the increasing number of women in the workforce, especially in the mature US market."

Preston presided over the sale of the company's non-beauty businesses such as housecare and its upmarket jewellery interests and helped slash Avon's debt from \$1.13bn in 1988 to \$542m at the end of last year.

During his tenure, Avon has deflected a series of takeover *advances and last year nar*rowly avoided a proxy battle against Chartwell, an investor group which now holds nearly 20 per cent of Avon's common shares. "BC, before Chartwell, I talked about cost-cutting and our desire to give more value to stockholders," says Preston. "Of course, there was a greater *sense of urgency because of* Chartwell."

A proxy fight with Chartwell is expected at the shareholder annual meeting in May, but in the meantime Preston is keeping his attention fixed on maintaining the strength of Avon's direct-selling business during the US recession.

"We're managing very carefully in the US. We had a very good gift line which helped in the fourth quarter, and we are very careful about pricing – about 70 per cent of our products are under \$10," Preston says.

Increasingly, Avon is relying on modern technology to assist the efficiency of its sales-force. Improved distribution systems helped Avon extend its pre-Christmas selling season by one week, which contributed to the company's strong fourth quarter performance.

Christel Schmau (right) an Avon representative in east Germany – *over half of sales are now outside the US*

"I think we tend to be reces*sion-resistant because our* products are not discretionary items," says Preston. "People buy less frequently in a recession but we can compensate by attracting a larger sales-force because women tend to need to supplement their income now."

The recession, however, is making it more difficult for Avon ladies to sell their wares in the US.

"I have to work twice as hard now to get the same amount of sales," says Sallie Cook. "*People who used to* spend \$30 to \$40 now spend \$10. But this too shall pass."

Apart from price advantage Avon's growth is also due to its international business, which accounts for more than 50 per cent of its sales and which is growing much more rapidly than the company's domestic operations.

"One of the beauties we have as a company is our worldwide portfolio which allows us to spread the risk," says Preston. "Germany is doing very well, and China, where we've been since November, has been phe*nomenally successful.*

"There was concern about how women in China would respond to Avon but it took about 30 seconds to explain commission. We're already on a three-shift manufacturing plan. We had projected \$1.5m in sales in China for 1991 but we've just raised that to \$4m. *Our biggest problem is getting* the money out of the country," says Preston.

Avon helps its representatives cultivate customers by its policy of allowing any product to be returned "for any reason whatsoever". Most stores will not take back used cosmetics.

"Goodwill is very important," says Cook. "A lot of girls won't take returns. I'll take back lipsticks and let custom*ers try others until they find* out what suits them. You can't just be a delivery service. You have to talk to customers and help. People can call me with questions at any time. They can leave cheques under the door."

Cook takes pride in what she has accomplished through her job. "I put my son through college with Avon money. It's satisfying – men have that feeling. When you scrub your floor someone just walks across it."

*But Cook is part of a dwind*ling, though not dying, breed of Avon ladies. For most of its 105 years, the company has relied on housewives to sell its goods. Today, it is still the ladies who sell Avon products – Preston estimates that 99.7 per cent of the company's 1.5m sales representatives are women – *but the traditional* "ding dong" doorbell approach is no longer the Avon signature.

More than one-third of sales are done at offices, with representatives selling to their colleagues. About 60 per cent of Avon representatives have full-time jobs.

In recent years, Cook *has* found Avon more willing to heed the needs of its sales-force. "We know what's going on. A few years ago they weren't listening to us and we're their best source of information." During those years, revenues from Avon's beauty business fell.

Preston, who was president of Avon's direct selling operations for seven years, *understands the importance of* listening to the representatives.

"I try to get out of New York at least twice a year and spend a day selling with the representatives and with district managers. You can't stay in touch from the 35th floor, especially in New York," he says.

The answer lies in the local marketplace

Targeting British consumers at a local level is set to become increasingly important for companies in the 1990s.

Identifying the markets with most potential will depend on understanding the regional *demographic differences* which are already shaping the future. Hastings, for example, has only 12.5 per cent of its local population in the 15 to 24 age group; Leeds has 16 per cent.

Such an analysis, believes the Henley Centre for economic and social research, is crucial to business planning. "*There are clear implications of* such demographic information for leisure demand and its *provision*," says Henley in the latest edition of its *Leisure Futures* report.

Henley has broken down Great Britain into 322 of what it describes as 'travel-to-work' areas – localities broadly defined as major towns or cities and their catchment area. The categorisation of *such locations is* by no means new; Marks and Spencer and other leading retail groups, for example, have built their chains around these places, thus effectively creating a natural limit to their UK growth.

Henley's analysis, however, considers the growth potential of each area. "We have opted for a spread of 30 towns and cities – some large, some small – which we view as having above average potential for dynamic economic activity in *the next few years.*"

The core of dynamic growth in the medium term will be in *the band of local areas stretch*ing westwards from Ipswich to Worcester along the northern boundary of London and the Home Counties.

But, Henley adds, identifying such localised growth "winners" should not stop marketers in all locations from considering their local markets. "It is by *looking at the local differ*ences in existing or planned leisure provision that the unfilled opportunities are then highlighted."

The 30 areas designated as having above-average growth potential, for example, have fewer local authority leisure centres per head of the population than in parts of Wales and Scotland.

Henley also suggests that leisure companies *should* be *on* the look-out for less tangible examples of localised opportunities to attract, for example, short-break holidaymakers.

Leisure Futures, Henley Centre, 2 Tudor Street, London EC4, £975 per annum.

David Churchill

ARTS

CINEMA

Variations on togetherness

AVALON
Barry Levinson

C'EST LA VIE
Diane Kurys

GREEN CARD
Peter Weir

BUDDY'S SONG
Claude Whatham

Barry Levinson's *Avalon* is an epic human comedy. Thinly fictionalising his own Baltimore childhood, the director of *Rain Man* and writer-director of *Diner* and *Tin Men* has created a sly, golden, enchanting movie that resembles Fellini's *Amarcord* caught in head-on collision with Woody Allen's *Radio Days*.

Main difference from Fellini: Levinson uses fantasy not as a staple style but for moments of *visual heightening*; as when fireworks and fairy lights adorn the film's opening flashback of the hero's grandfather arriving in America *from Eastern* Europe. Main difference from Allen: this is "television days" not radio days, as TV culture steals like a virus into the hydra-headed Jewish family, destroying multi-generational togetherness and creating the satellite solipsism of today's home life.

Avalon was bruised by American critics and largely shunned by the American public. But in the 50th anniversary year of *Citizen Kane*, here is a film with some of that masterpiece's rippling musculature of style and impudent wit. What ever could America have disliked? Was it the film's full-frontal Jewish humour and pathos? There is plenty of both, as Levinson celebrates a family whose regally addled grandparents (Armin Mueller-Stahl, Joan Plowright) hand *out vain proverbs to their son* and son's son and then sit back to watch the chaos.

The son (Aidan Quinn) is a goodhearted salesman whose grandest project goes up literally in smoke. The son's son (Elijah Wood as Levinson's boyhood alter ego) is a wide-eyed human pixie who attracts disaster like a human Bermuda Triangle. In a miracle of artistic coordination Levinson juggles with these foreground comic mishaps – attack by a swarm of bees, a streetcar crash, a burning factory – while discreetly pushing the plot's larger themes along on their appointed tracks.

This is a film about the illusory changelessness of memory, harried and outflanked by the all-too-real changes of life. Grandpa may reminisce about the "good old days", but the present keeps surging across the gilded vistas like a car jumping lights at a crossroads. (Vehicles cutting across the screen are a favourite image: a visual shock tactic deployed whenever we risk being overlulled with nostalgia.)

The beauty of *Avalon*, and the quality that may have deterred Americans who like their narratives simple and seamless, is its corner-cutting boldness. No scene lasts long *enough to have its significance* semaphored. The cameos flit by like life itself, and as in life itself we ponder their meaning ourselves. A Thanksgiving tur*key* dinner turns into a screaming match across a suburban street. A boy serving out punishment in a school corridor *does a sudden soft-shoe shuffle*. A rubber ball disturbs a nest of bees. A midsummer park fills up at night with sleeping families escaping the indoor heat.

Pictures in a film like this are indeed worth a thousand words. Verbally, Levinson's screenplay is a string of shaggy dog stories and funny-banal domestic quarrels. Visually, it is as enchanted as its title, that mediaeval-mythic moniker whose *only* plot pretext is that "Avalon" is the name of the Baltimore tenement-house the family first inhabits. Suggesting a shadowland between time temporal and time spiritual, that title perfectly suits Levinson's film. As Grandpa's advice rings down the ages – "If you stop remembering, you forget" – only the mortal present can rudely interrupt the entranced *sleepwalkings of memory*.

★

In France's *C'est La Vie* the autobiographical impulse rides again as writer-director Diane Kurys takes us to the seaside. What ever is it the French like about tales of romping on Atlantic beaches? The weather is dismal, the sea is grey, and when two or more families are gathered together in the name of summer holidays, rows are bound to happen. Witness this tale of 13-year-old Frederique

Shades of Fellini and Allen: Elijah Wood and Armin Mueller-Stahl in 'Avalon'

(Julie Bataille) and her adventures at La-Baule-les-Pins amid strident siblings, pubescent cousins and bickering, brink-of-divorce parents (Nathalie Baye and Richard Berry).

Kurys has fed bits of her life into previous feature films: *Coup De Foudre*, *A Man In Love*. Here the initial effect is cutesy going on queasy. Too much piano music surging over the soundtrack; too many lovable tots and liquid-eyed labradors. But the film sharpens as it proceeds. By the time Mum and Dad are hurling themselves around the furniture and the gardener is moaning over his dog-vandalised strawberry patch and the children *have burned down the* local beach-club, we realise we are at last seeing family life as it is lived. Painting a picture of her own childhood, Mlle Kurys bravely puts down the pastel colours and picks up the rowdy reds and sardonic blacks.

★

Some rare French movie persons, not content with sitting on Atlantic beaches gazing at sea-mirrored memories, get up *and stride across the Ocean*. Gerard Depardieu, French cinema's answer to the Colossus of Rhodes, takes roughly two strides to reach New York where he acts opposite Andie McDowell in the romantic comedy *Green Card*. Miss McDowell needs a husband in order to buy a penthouse flat for herself and her beloved plants. M. Depardieu needs an American wife in order to obtain an immigration permit, or "green card", and carry on living and odd-jobbing in the US.

Australian writer-director Peter Weir specialises in diselemented heroes (*Witness*, *The Mosquito Coast*) and he gets the same look of macho bewilderment from Depardieu as he coaxed from Harrison Ford. Peering through his Victoria Falls hairstyle, Depardieu flexes Cro-Magnon features and moves about like a truck-driver who has just had ballet lessons. In his first American film he is sweet and bearish and very funny, an accident of nature confronted with a force of nurture. Not only does Miss McD want to marry him (and yes of course they fall in love), she wants to reform him. Her *own green soul, heavily into in* peace and plant-life, will reshape the uncouth Gaul.

Unfortunately McDowell, who had a helium-headed charm in *Sex, Lies And Videotape*, seems to have lost it here. Distrait and underpowered, she looks as if she is thinking of another movie. Indeed *Green Card* itself, despite the odd comic inspiration (like the snapping of fake ski-ing photos *on a Manhattan rooftop, done* to persuade the immigration heavies that the romance is bona fide), seems boxed in by formula. Made for Disney, it has a safe, twee, repetitive rhythm: a theme-and-variations on cultural incompatibility, in which the theme is too simplified and the variations too predictable. Thank heaven for Depardieu, who at least is worth the ticket price and who *sometimes persuades us we are* watching a better film.

"Don't put dreams in 'is 'ead" cries Buddy's Mum (Sharon Duce) to Buddy's Dad (Roger Daltrey) in *Buddy's Song*; "'e's got to do 'is 'omework." Ah the home life of British movie characters. Marooned amid the Woolworths-Indonesian oil paintings and Allied carpeting, the parents of young Buddy (Chesney Hawkes) differ about whether he should become a rock singer. Mr Daltrey, an ageing Teddy Boy and ex-con, thinks he should. Miss Duce, a walking wet blanket and computer worker, thinks he should not.

The critic, after 100 minutes of this plus rock songs, thinks *everyone involved in the film* should report immediately for vocational guidance. There they might pick up a hint about how to move British cinema into the 1990s. Director Claude Whatham, still apparently wearing sideburns and drainpipe trousers twenty years after *That'll Be The Day*, struggles to find a cogent style for Nigel Hinton's script spun off from a novel and TV series. *But this is one of those pro*jects that give off imbecile noises whatever stylistic station you tune it to. Its liveliest character – Daltrey as Dad – is a cardboard cockney wired for sub-*Minder* verbals. And its binary vision of a Britain divided between Mozart-loving squares and rock-loving oiks makes you realise how doomed is the present PM's search for a classless society.

Nigel Andrews

Silly Cow

THEATRE ROYAL, HAYMARKET

Doris Wallace is the heroine of Ben Elton's new comedy *Silly Cow*, but the title does not apply to her: not at first, anyway. She is a journalist, a right bitch of a gutter journalist, beside whom Glenda Slag – to borrow a line from Doris – "would get a character reference from Postman Pat."

The play's title is an abbreviation. The label she has slapped on one actress is, in fact, "Silly fat talentless old cow." And thereby hangs a plot. The actress takes her to court for libel.

Saying she can't act wasn't enough for Doris; she also wrote, "What with the disappearance of the rainforest, it was ecologically unsound of the Beeb to use such a wooden actress."

Bitchy, brassy Doris – played by *Dawn French* – is, in fact, a startling central character for a play. As Act One unfolds and we come to know her better, we find that she's also a deceitful, disloyal, coke-sniffing, secret lesbian. "I'm the hardest," she tells her secretary; "Bogeymen get scared imagining me under their bed."

What does such hideousness have going for it? Sheer she-devil energy. *Doris's* blast-and-slash humour is so persistently part of her that it becomes funnier in context than can be revealed in quotation. I will leave you to imagine what she means by a "Eurostiffie."

Her bitchiness is her career, and her career is on the up. Indeed, she has – as she is proud to proclaim – cooked with Rusty on TV-am, appeared twice on *Blankety-Blank*, and, tonight, has her first *Wogan*.

Silly Cow is, in short, another perfect occasion for Ben Elton satire on the modern world. Like his first West End play, *Gasping*, it's fast and slick. And what's clever about that is that fastness and slickness are what it satirises.

It also has an ingenious plot – one so smart that lines that seem unduly dull or untrue to character turn out to be clues to the great series of reversals in Act Two.

"Don't give away the end," critics were asked, as if this were *The Mousetrap*. Actually, it would be better to say, as was long ago said of *Sleuth*, "The friend who tells you what happens is the last forty minutes is no friend." And both Agatha Christie and *Deathtrap* come to mind. Even as the plot keeps surprising you, however, it also stays funny. The four other characters, who all turn out to be important, are well played by Victoria Carling, Alan Haywood and (especially) Patrick Barlow and Kevin Allen.

Silly Cow isn't as hilarious as *Gasping*, though it is more neat and intricate. French's Doris is an amazing creation, and – with that Alpine cleavage – amazing to behold. But she isn't the source of physical comedy or timing that Philip and Sir Chiffley Lockheart were in *Gasping*. Her facial expressions are limited, her physique seldom fully relaxed, her rhythm occasionally slack. Elton himself, directing for the first time, must take some blame for this. The writing of *Silly Cow* is more deft than its stagecraft.

Alastair Muir

Dawn French

Alastair Macaulay

More Prokofiev

ROYAL FESTIVAL HALL

The Royal Philharmonic's "*Prokofiev Centenary*" *series* ended on Tuesday with a concert in the same odd mould as the earlier ones: a familiar Prokofiev piece – this time, the Second Piano Concerto; the series has funked rediscoveries altogether – but also something else quite unfamiliar, Russian but hardly connected with Prokofiev. That was Sergey Slonimsky's Concerto Buffo for chamber orchestra. *And yes, he is related to the emigré* Nicolas Slonimsky, who is his uncle.

One could understand that the Concerto Buffo caused some ruffled consternation amongst its St. Petersburg audience in 1966. Though the raw material is dodecaphonic, (as we used to say), Slonimsky plays with it jokily. A "canonic fugue" gets underway, but soon there are theatrical inter*ruptions, vaguely jazzy breaks*, bits of Latin American dance-percussion. For all the conductor Yuri Temirkanov's eager *advocacy, it struck* a *jaundiced* Western ear as a collage of well-tried Western effects with no energy of its own, no *raison d'être* but snook-cocking. Honesty compels me to report that my unjaundiced 12-year-old found it much more interesting than the Prokofiev concerto that followed.

There were two problems with the Second Concerto. One was that Temirkanov tried too *hard to render it seriously* "expressive", at some cost to its raw, brutal impetus (later he did the same to Rimsky-Korsakov's *Scheherazade*). The other was that the soloist Mikhail Rudy exercised too much musical imagination, with a similar result. Bar by bar, he illuminated all sorts of interesting detail; but it's a truculent aesthetic premise of the piece that *everything*, even the *pastiche-Romantic*, *should* seem mechanical, relentless, overbearing: fodder for steely fingers.

*That was Prokofiev's aes*thetic at the time, and humanising the tone of this concerto invariably weakens its musical muscle. Too little of the "expressive" potential actually advances the music. Delivered from an impersonally efficient height it has its own baleful grandeur; sensitively explored, it does tend to run out of steam.

Scheherazade survived pretty well, *above all through seri*ously brilliant flute-playing. There was nevertheless too much sophisticated effort to discern "feeling" in its shamelessly reiterated paragraphs: some Russian orchestras might bring that off, but the RPO never sounded quite convinced. An honest up-tempo performance, in bright primary colours, would demonstrate *Scheherazade*'s best strengths better.

David Murray

'Elektra' in Los Angeles

The new David Pountney production of *Elektra* for the Los Angeles Music Center Opera signals a number of important firsts – the first time Pountney has worked in Los Angeles, the first *time he have tackled this tremendous* opera, the first time he has worked with John Bury as designer and Lawrence Foster as conductor.

The meeting of minds has turned out signally well: judged at the opening performance in the Dorothy Chandler Pavilion, this *Elektra* staging proves to be an extremely powerful and compelling one, potently imagined, animated by a great deal of full-blown theatricality, yet essentially straight in its handling of the narrative.

The staging offers no gruelling physical assault-courses for the singers, no vertiginously suspended perches, no water or whirring machines; and, while it contains some highly vivid and arresting *symbols-made-flesh*, the directness with which the text is brought to life in such a *mise-en-scène* marks a stylistic departure in the work of this most fertile and continually surprising of British opera producers.

It is a staging by no means without fascinating quirks, almost all of which contrive to shed new light on Hof*mannsthal's words* and Strauss's notes equally. The Bury set, a vast, crumbling, clay-red dwelling scored with irregular apertures, is bordered by a huge broken wall, at stage left. Three huge fragments of a giant statue – obviously that of the murdered Agamemnon – are strewn across the stage; one of them, a large upturned stone *hand, sits at its centrepoint, and Aga*memnon's three children, all startlingly red-wigged (like their mother), come to rest in its palm in those moments when *family grief* overwhelms them.

Altogether, the air of this Mycenae reeks of decay, time-suspension (costumes are at once antique and modern), *family* tragedy turned to state oppression and violence. (The Overseer is an short-cropped, whipcracking sadist in mannish khaki shorts.) Pountney and Bury justify almost all of their inventions and embellishments by the emotional *intensity* with which all the family relationships are invested: never before have I felt the blood-ties so painfully close or, in the scene between Clytemnestra and Electra, so full of fertile, taut-stretched ambiguities.

As played by Helga Dernesch (in superlative form) the queen is not a raddled old bag, but an attractive middle-aged woman worn out by guilt; likewise Chrysothemis (the rising American dramatic soprano Ealynn Voss) is no whining milksop but a woman with *an eminently reasonable world-view* passionately argued.

Perhaps the triumph of the production is to fill in the detail of the heroine's complex psychological makeup while not rendering her a harpy, maenad, or simple nut-case in the process. Marilyn Zschau, a singer of whom London has heard far too little, is a small, lissom Electra who darts about with quicksilver urgency and whose voice is warm, full, dark-toned, yet supple; there are moments of unsteadiness, outweighed by whole passages of great beauty. This *is* her first encounter with the most taxing of all dramatic-soprano roles; once she has learned to projects its words even more vigorously, she will be fit to join the ranks of its most impressive interpreters.

Orestes, the young American baritone Rodney Gilfry, is on the light side but delivered with such steady, true phrasing that one hardly noticed. Aegisthus (Gary Bachlund), five maids, and other smaller parts are all well taken: the care over casting suggests that the *company's values are the right ones*. Foster, conducting the much-enlarged Los Angeles Chamber Orchestra, keeps the instrumental parts forward-moving, singer-friendly but not lacking in those moments of frisson that can make this opera such an overwhelming experience. This *Elektra* would do any company credit. It is shared with Houston Grand Opera and the Paris *Bastille*: why not the Coliseum as well?

Max Loppert

Mike Gibbs Band

JAZZ CAFE

A big band in a small venue on a Monday night can be hard to come to terms with – if only because there seems to be as many people on the bandstand as in the audience. Mike Gibbs' thirteen pieces stir up a great deal of sound and excitement, crammed horn by reed on the little stage of the Jazz Café. But it is rather like asking Kurosawa to do a feature on *Super 8. Gibbs tackled it hap*pily enough, but he and his soloists sounded hemmed in by the acoustic geography of the place.

The white Zimbabwean was among the first of the crossover jazz composers in the 1970s and these days Gibbs' music is chunky jazz funk with lots *of* bass drum and electric bass guitar. He has done a lot of work in recent years in film – with Bill Forsyth and Ken Russell – and it shows in the grand thematic arrangements he comes up with.

In a repertoire which mixes material from the new LP, *Big Music* (an appropriate title) and from a forthcoming collaboration with guitarist John Scofield, Gibbs had his work cut out getting among his musicians to direct them. "*Almost every day*" and "*Pride* aside" to open, sped along, Mike Walker's guitar wailing. (the line-up uses two guitarists). Next up was a wheezy, but buoyant Mexican wedding sound which incorporated an interesting conversation between Ben Wittman's rimshots and talking drum, punctuated by brass. "Fat Lip", an extremely funky Scofield composition, featured a blasting trumpet solo from Steve Waterman which replaced Kenny Wheeler's controlled strains on the ballad before.

"Country Bird", an old one from Gibbs' book, provided some lonesome country blues and an alto-sax solo from Chris Hunter, who seemed unhappy to have been brought over from New York for the shows. Perhaps he is claustrophobic and was unnerved by having to play right into Gibbs' face.

Hunter was not the only one ill at ease: I think most of those present would have been happier with Gibbs' big music in a larger space – like the Adrian Boult Hall in Birming*ham last week or on his Arts* Council tour next October.

Garry Booth

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts Royal Concertgebouw Orchestra in music by Loevendie, Berio and Prokofiev, also tomorrow. Sat: *Edo de Waart* conducts concert performance of Die Walküre, with Jeannine Altmeyer as Brünnhilde. Sun: piano *recital by Alfred Brendel* (718345)

■ BERLIN

MUSIC
Staatsoper unter den Linden 19.30 Tosca. Sat: Tristan und Isolde (2004 762)
Komische Oper 20.00 Klaus Donath conducts concert of music by Mozart, including opera arias sung by Helen Donath and Jochen Kowalski. Tomorrow: The Bartered Bride (2292 555)
Deutsche Oper 19.30 Samson et Dalila, with Marjana Lipovsek and Vladimir Atlantov. Sun: Tristan und Isolde (3410 249)
Philharmonie Kammermusiksaal 20.00 Michael Tilson-Thomas *conducts* Chamber Orchestra of Europe in Haydn and Ives, with Catherine Malfitano soloist in Weill's Seven Deadly Sins (2614 383)
THEATRE
Deutsches Theater 19.30 Schiller's Maria Stuart (2871 225)
Schaubuhne 19.30 Peter Stein's production of The Cherry Orchard (890023)
Schiller Theater 19.30 Schiller's Die Rauber (3195 236)
Volksbuhne *20.00 Moliere's Le* Malade imaginaire (2082 748)

■ BRUSSELS

Monnaie 20.00 Last performance of Adolf Dresen's production of Jenufa with cast headed by Linda Plech and Anja Silja (219 6341)

■ CHICAGO

Orchestra Hall 20.00 Christoph *von Dohnanyi* conducts Chicago Symphony Orchestra in Webern's Symphony Op 21, Schoenberg's Five Pieces for Orchestra and Beethoven's Seventh Symphony. Also tomorrow and Sat. Sun at 15.00 piano recital by Shura Cherkassky (435 6666)

■ FRANKFURT

Alte Oper Grosser Saal 20.00 Arpad Joo conducts all-Mozart *programme with* Kammerphilharmonie of Schleswig-Holstein Festival and Justus Frantz piano (1340 400)

Alte Oper Mozart Saal 20.30 Alban Berg Quartet plays string quartets by Bartok and Mozart (1340 400)

Jahrhunderthalle Hoechst 20.00 Esa-Pekka Salonen conducts Swedish Radio Symphony *Orchestra in Prokofiev's Romeo* and Juliet suite, with Cho Liang Lin soloist in Brahms' Violin Concerto (3601 240)

■ GOTHENBURG

Konserthus 19.30 Okko Kamu conducts Gothenburg Symphony Orchestra in two works by Aulis Sallinen, with Patrick Gallois soloist in Mozart's Flute Concerto *(167000)*

■ HAMBURG

Staatsoper 19.00 Karita Mattila sings Tatiana in Eugene Onegin conducted by Gerd Albrecht. Tomorrow: Werther with Keith Ikala-Purdy in title role and *Kathleen Kuhlmann as Charlotte*. Sat: Donald Runnicles conducts Lady Macbeth of Mtsensk (351555)
Deutsches Schauspielhaus 19.30 Goethe's Torquato Tasso directed by Hans Neuenfels (248713)

■ LEIPZIG

Kellertheater *19.30* Annette Schlunz's new chamber opera Matka (7168 273)
Gewandhaus 20.00 Rolf Reuter conducts Gewandhaus Orchestra in Janacek's Sinfonietta, also music by Haydn, Sibelius and Webern. Also tomorrow (7132 252)

■ LONDON

MUSIC
Covent Garden 19.00 Everding production of Die Zauberflöte conducted by Stephen Barlow, with Joan Rogers as Pamina, Olaf Baer as Papageno and Luciana Serra as Queen of the Night. Tomorrow: Samson et Dalila with Carreras and Baltsa (240 1066)
Coliseum 19.30 The Turn of the Screw. Tomorrow: Aribert Reimann's Lear conducted by Paul Daniel, with Monte Jaffe in title role (836 3161)
Royal Festival Hall 19.30 Neeme Jarvi conducts Philharmonia Orchestra in Prokofiev's Ivan the Terrible, with Mikhail Pletnev soloist in Rakhmaninov's First Piano Concerto (928 8800)
Queen Elizabeth Hall 19.45 Michael *Roll plays piano music by Mozart*, Brahms and Schumann (928 8800)
THEATRE
This week's shows include Steve Berkoff's adaptation of Kafka's The Trial with a cast led by Anthony Sher (National), Peter Hall's new production of Twelfth Night (Playhouse), Absurd Person *Singular, written and directed* by Alan Ayckbourn (Whitehall), What the Butler Saw by Joe Orton (Wyndham's), The King and I starring Susan Hampshire (Sadler's Wells) and Andrew Lloyd Webber's latest musical Aspects of Love (Prince of Wales). Phone Theatreline: Plays 0836 430959 *Musicals 0836 430960* Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

MUSIC
Staatsoper 19.00 Wolfgang Sawallisch conducts Henning von Gierke's production of Der fliegende Holländer, with Julia Varady as Senta and Robert Hale as the Dutchman (221316)

Philharmonie 20.00 Hiroshi Wakasugi conducts Munich Philharmonic in The Rite of Spring and Dvorak's Cello Concerto, with soloist Michael Hell. Also tomorrow, Sat and Sun at 11.00 (48098 614)

Herkulessaal der Residenz 20.00 Piano recital by Tzimon Barto (609 0107)

Prinzregententheater 19.00 Schiller's Die Räuber (225754)

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Franz Welser-Moest conducts New York *Philharmonic in Franz Schmidt's* Fourth Symphony, with Elisabeth Leonskaja soloist in Mozart's Piano Concerto in D minor K466. Also *tomorrow* at 11.00, Sat and next Tues (874 2424)
Carnegie Hall 20.00 Claudio Abbado conducts Vienna Philharmonic Orchestra in *Webern's Six Pieces and Mahler's* First Symphony, also Sat and Sun (247 7800)
Metropolitan Opera 20.00 Le nozze di Figaro with Kiri te Kanawa as the Countess and Frederica von Stade as Cherubino. Tomorrow: Charles Mackerras conducts Katya Kabanova (362 6000)
THEATRE
This week's shows include Fiddler on the Roof with the Israeli actor Topol as Tevye (Gershwin), Stephen Sondheim's latest musical Assassins (Playwights Horizons) and Shogun: The Musical, which boasts an earthquake among a string of spectacular effects (Marquis). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

Théâtre des Champs-Elysées 20.30 David Robertson conducts Orchestre National de France in all-American programme, including A haunted landscape by George Crumb (4720 3637)
TMP-Chatelet 20.30 Maria Ewing recital, with songs by Brahms, Strauss, Debussy and Rossini (4028 2840)
Théâtre de la Ville 20.30 The Duchess of Malfi directed by Thomas Langhoff. (4274 2277)
Comédie Française 20.30 Moliere's La Mere coupable (4366 4360)

■ ROTTERDAM

De Doelen Grote Zaal *20.15 Mozart*, Haydn and Beethoven symphonies conducted by Frans Bruggen, with Rotterdam Philharmonic Orchestra (413 2490)
De Doelen Kleine Zaal 20.15 Lev Markiz conducts Shostakovich programme with Nieuw Sinfonietta Amsterdam (413 2490)

■ VIENNA

Staatsoper 19.00 Die Zauberflöte (51444 2960)
Volksoper 19.00 Die Entführung aus dem Serail (51444 3318)
Musikverein Grosser Saal 19.30 Nikolaus Harnoncourt conducts Vienna Symphony Orchestra in all-Mozart programme (505 8190)
Musikverein Brahms-Saal 19.30 Song recital by Peter Schreier (505 8190)

■ WASHINGTON

Kennedy Center Concert Hall 20.30 Rafael Frühbeck de Burgos conducts National Symphony Orchestra in Beethoven and Brahms (467 4600)

■ ZURICH

Opernhaus 19.30 La fille du regiment, also Sat (251 0909)
Tonhalle 20.15 Hagen Quartet plays Mozart, Schumann and Verdi (201 1580)
Schauspielhaus 20.00 Der Meteor, play by Friedrich Dürrenmatt (251 1111)

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Thursday February 28 1991

Germany's price for Emu

WHEN GERMANY talks on economic and monetary union, the entire European Community must listen. As yesterday's loud complaints from Mr Jacques Delors show, many do not like much of what the German government has to say in its draft treaty on Emu. But they will, perforce, have to treat this text – not that of the Commission or of any other participant – as the starting point for the inter-governmental conference on Emu.

In accepting the ultimate goal of Emu, but insisting that stiff conditions must first be met, the German government is pursuing a two-pronged strategy. Either its conditions will not be met, in which case others would bear the blame for failure, or they will be, in which case Emu would at least be as tolerable to the Germans as it is possible to make it.

Provided the conditions are not viewed as too unreasonable by its partners, this strategy is likely to work. Thus the substance of the proposals is politically as well as economically important. On balance, what the German government suggests on timing, the nature of the transition and the final goal is, as might be expected, sensible. That these proposals meet the ambitions neither of the Commission nor of some member states is no decisive objection. The aim should be to get Emu right, not to do it quickly.

Four proposals

On the transition to Emu, the German government makes four central proposals: first, no European Central Bank (the entity that the Commission insists on calling by the nickname "Eurofed") should be established before currency union, the final stage of Emu, which would begin in 1997 at the earliest. Second, there would be no new currency in the second stage, which is to start in 1994. Devaluation of the Ecu would be ruled out, instead. In this way, the Ecu would become a perfect substitute for the D-Mark, but the Bundesbank would have still more control over its value than at present.

Third, transition to full currency union would only follow agreement that a majority of members had achieved acceptable convergence of inflation, budget deficits and interest rates. The union would also be limited to those members. Finally, those members who did not meet the conditions, or who did not wish to participate in the union, would join later.

These suggestions imply a two-speed move to Emu. They also rule out both the rapid march to new institutions favoured by many and the UK's hard Ecu proposal. These two are ruled out for the same reason: the Bundesbank's insistence that only one institution can be responsible for a given monetary area. Objections can be made to its position. Parallel currencies are, for example, theoretically feasible. Nevertheless, its views have strong practical merit. More important perhaps, these are issues over which the Germans are unlikely to compromise.

Deficit ceilings

Equally tough are German views on what the currency union should look like. The German proposals include ceilings on budgetary deficits. Equally important, the central bank would have a say on whether any exchange rate regime, which is to be proposed by the committee of finance ministers, is compatible with price stability.

The proposed role of the central bank on exchange rate policy is sensible, more so than the proposals for controls on budget deficits. The German neurosis about budget deficits is understandable. But it is unacceptable for EC organs to control the fiscal policies of member states, other than by suasion. Fiscal independence is a fundamental attribute of statehood. It should not and probably will not be easily thrown away.

Germany has now set these negotiations seriously under way. Most of its partners will object to some of what it proposes. Nonetheless, they will have to take these ideas seriously, for two reasons. First most of them have merit in themselves. Secondly, they come from Germany. In the end, Emu will come on something close to German terms, or not at all. It is up to Germany's partners to decide whether they want to pay the price.

The cabling of the UK

THE GOVERNMENT has made a virtue out of not picking winners. It believes that it is the market's job to pick successful companies and technologies.

However, the government has broken this rule in the case of cable television. The Department of Trade and Industry and Oftel, the telecommunications industry watchdog, are proposing to mollycoddle the cable television industry, seeing it as a means of breaking British Telecom's dominance in the local telephony market.

It is easy to understand the government's exasperation. There is widespread dissatisfaction with BT's service, but the vast majority of residential customers have no other choice. The government's original hope was that Mercury Communications would provide such choice, but it has concentrated on the business market. The government is now hoping that the cable companies will provide telephony services over their cable networks.

It is proposing to tilt the playing field in the favour of the cable companies as part of its current review of the BT/Mercury duopoly. The cable companies will be allowed to offer telephony services immediately, but BT will be stopped from offering television services for seven to 10 years. The government has been driven to this policy because the cable companies say they will not invest in cable networks if BT is allowed to compete with them in the television market.

Equal access

The government is also having second thoughts on whether to introduce "equal access" in the telecommunications market, which would allow customers to choose between rival long-distance operators, even if they kept their BT phone lines. The cable companies say such equal access would undermine their business, which relies on offering customers cheaper long-distance services via Mercury's network. If BT customers can get access to the same discounts, there may be little point in switching to cable.

The snag with both these arguments is they assume that competition must be introduced. But competition should be a means of providing better and cheaper services to customers. It is not an end in itself.

The cable companies should only invest if they have a sustainable competitive advantage over BT. If they do, they will presumably go ahead with their plans, whether BT is allowed into the market or not. If they do not, there is no obvious benefit in their investing billions of pounds to duplicate BT's existing network.

Opportunity denied

By preventing BT from providing television services, the government is denying the company the opportunity to exploit economies of scope from combining TV and telephony over the same network, using fibre optic cables. This may stop customers from gaining access to a wider range of services at lower prices.

A similar argument applies to equal access. If the cable companies were more efficient than BT, they would be able to succeed without having monopoly access to Mercury's cheaper long-distance services. But if not, they should not be in the business at all. The effect of granting them monopoly access would be to deny BT's local customers the benefits of cheaper trunk calls.

Nevertheless, there is a case for giving the cable companies some protection because BT is engaging in predatory pricing. BT argues that this is not by choice, but because it is forced by Oftel to price line rental charges below cost. BT has not yet produced cost data that substantiate this claim, but predatory pricing could drive the cable companies out of the market even though BT might be less efficient.

The company should therefore be stopped from providing television services over its network until any predatory pricing has been eliminated. This cannot occur overnight, but a seven-to-10-year adjustment period is too long. Five years would seem more appropriate.

But the government should not mollycoddle cable companies in any other way. The effect would simply be to encourage inefficient investment and deny customers the benefits of new technology.

Peter Norman assesses the economic benefits of an allied victory

The Gulf dividend

Iraq's defeat will give the world economy a boost rather than a bonanza.

Allied victory in the Gulf war will eliminate a significant area of uncertainty that has been crimping investment decisions and damping consumer confidence. But it is unlikely to have much short-term impact on the recessionary or near-recessionary conditions that will afflict many industrial countries this year.

Saddam Hussein's invasion of Kuwait last August came when the large English-speaking economies were already slowing sharply as a result of tough counter-inflationary monetary policies. Iraq's action caused business confidence to plummet and oil prices to rise, adding to the force of the downturn.

In recent weeks economists have begun to forecast that the world economy would start a slow recovery later this year, not least because of falling interest rates in the US and Britain. The liberation of Kuwait will aid this.

The world economy stands to benefit in four ways from the successful end to the Gulf war.

- The most obvious and immediate benefit will come from the rebuilding of Kuwait.
- There is a justifiable hope that the end of the conflict will bring stability to the oil market at "reasonable" prices.
- Less certain but potentially very important is the boost that the allied victory might give to consumer and business confidence in the industrialised world.
- The greatest prizes but the least tangible could lie in the broader geo-political sphere.

The phrase "new world order" has been looking rather tawdry lately as a result of the cloud Mr Mikhail Gorbachev's internal problems have cast over US-Soviet relations. But the coalition's success in the Gulf war conjures up the hope that the US and the other leading allied combatants may be able to build on the leadership shown in war to improve global welfare – for example, by redoubling their efforts to bring the Uruguay Round of trade liberalisation talks to a successful close.

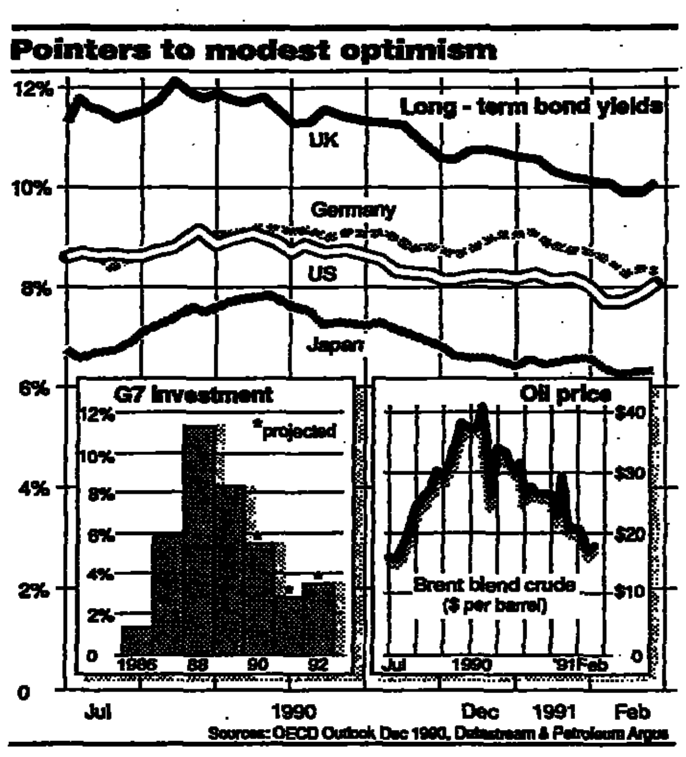
The co-operation of industrialised countries, Arab oil producers and non-oil Third World nations in the victorious coalition could possibly presage greater harmony in dealing with vexatious north-south issues such as oil pricing and production or the handling of the international debt problem.

In the short term, the reconstruction of Kuwait will provide the industrialised world with a welcome boost to activity. Estimates of the damage vary widely from $50bn to $100bn.

At $50bn, the demand generated by the reconstruction of Kuwait would be equivalent to about 1 per cent of US annual gross national product and rather more than the half the value of Saudi Arabia's annual GNP. This, according to one official at the Organisation for Economic Co-operation and Development in Paris, would constitute a "non-trivial boost" to the world economy.

The demand boost would come in stages because of limits to Kuwait's absorptive capacity. Mr J Paul Horne, a Paris-based economist for the US investment house Smith Barney, estimates that spending could run at between $10bn and $20bn a year.

Pointers to modest optimism



Sources: OECD Outlook Dec 1990, Datastream & Petroleum Argus

Rebuilding would primarily help US business sectors such as construction, capital goods makers and truck manufacturers which have suffered heavily in the recession. Britain and France, as leading combatants, stand to win orders, while work will be sub-contracted to companies in South Korea and other Asian states which were active in the pre-war Gulf. High value-added professional groups such as architects and construction engineers should profit.

Kuwait's substantial stock of financial assets and the prospect of the country eventually reopening its oil wells will mean that reconstruction should not be hampered by financial constraints. The emirate will be able to borrow against collateral or future oil sales if it does not wish to liquidate its investments.

There will be some reconstruction in Saudi Arabia. Like Kuwait, the Saudi government should have little difficulty in raising the necessary funds even though it has agreed to finance a large part of the estimated $40bn to $50bn of allied war costs.

Some of the material cost of the war will translate into new orders for defence contractors as the allies replace at least some lost equipment and seek to acquire some of the conflict's more successful military hardware such as the Patriot anti-missile missile system. Although the allies will presumably want to avoid a new Middle Eastern arms race, re-equipment will give a boost to the US high-tech defence contractors, which had faced hard times because of the decline of tension between the superpowers.

Iraq, with a population nine times that of Kuwait and a territory 18 times as large, probably has greater reconstruction needs as a result of allied bombing of power plants, telecommunications centres, bridges, refineries and other infrastructure. Mr Saadoun Hammadi, Iraq's deputy prime minister, has been quoted as saying that the damage runs to $200bn, although that figure could be on the high side. However, Iraqi reconstruction with the help of outside involvement will have to wait for the country's rehabilitation in the world community.

The oil price implications of the peace are less easy to quantify. Allied air supremacy caused prices to collapse to a manageable $20 a barrel on the first day of the war, putting an end to fears of a "spike" towards $50 or a more sustained oil price shock.

However, economists doubt whether the end of hostilities will presage a prolonged oil price slump to pre-crisis levels of about $16 a barrel or less.

It will be some time before Kuwait and Iraq return as suppliers on world markets. Saudi Arabia, as the Organisation of Petroleum Exporting Countries' biggest oil producer and a prominent coalition member, has an interest in supporting market discipline. It is already thought to have cut production in January because of a lack of storage capacity. The US and Britain, the leading western members of the allied coalition, are both oil producers as well as consumers and aware that a sharp drop in prices could cause problems for investment in new productive capacity.

This convergence of interests raises the tantalising possibility of enhanced co-operation in the post-war world between the world's oil consuming and producing nations. Whether this will stretch to an understanding between Opec and the industrialised countries to stabilise the price and supply of oil remains to be seen. But a more equitable sharing out of oil wealth between rich Arab producers and the poorer, more populous non-oil Arab nations may figure in the international discussions on a new security system for the region.

Hopes have also been expressed in organisations such as the International Monetary Fund that the wartime spirit of co-operation among the allies could spill over into other parts of the previously fraught relationship between the countries of the rich industrial "north" and the poor developing "south". The burden-sharing exercise arranged under the auspices of the IMF to mitigate the effects of the war on front-line states such as Turkey and Egypt and Third World nations such as Bangladesh and Pakistan could perhaps lead to greater co-operation between rich and poor in solving such long-running problems such as Third World debt.

These are distant prizes. But if – and it is a very big if – the allies can win the peace as well as the war, there should be long-term benefits in terms of revived business and consumer confidence.

In the short term, the revival of business and consumer confidence is less easy to pin down. US tourists and businessmen are apparently re-discovering their appetite for foreign travel now that Iraq faces defeat. The clear US success in the war could spawn the all-important "feel good" factor among US consumers and investors. There is, however, considerable scepticism among economists that the end of the war will in itself stimulate investment and growth.

Long-term interest rates have fallen substantially in recent months in the US and Britain. But demand in both countries is likely to be subdued as heavily borrowed companies and families pay back their debts.

In Germany, there are the first signs of an economic slowdown while the government has just announced higher taxes to finance union.

Rebuilding in the Gulf will be a further claim on world savings which are already in short supply to finance the US budget deficit, reconstruction in eastern Europe and Third World development.

Victory in the Gulf is a positive step for the world economy. But anything more than a modest spur to global output raises the spectre of self-defeating increases in real interest rates.

It is a sobering thought that rebuilding Kuwait presents the world economy with a challenge of roughly the same magnitude as the reconstruction of east Germany. And that has not been an unmixed blessing.

Book Review

'Cadburyism' remoulded

RESHAPING WORK: THE CADBURY EXPERIENCE
By Chris Smith, John Child and Michael Rowlinson
Cambridge University Press, £45

There was euphoria among Cadbury's factory managers at Bournville, Birmingham, on the day they finally sacked a shop steward for a wages misdemeanour. "They came up to me and shook my hand and said things like, 'You must be brave . . . people had tried to sack him before, but we got him'," recalled a woman personnel manager later. Such was the tension welling up between managers and workers as Cadbury entered what was to become a decade of cathartic change.

This is the story of a British factory in the 1980s, told by three industrial relations researchers from Aston Business School. It is a familiar one in many ways: the fracturing of union negotiating structures, changes in working practices tied to investment in new machinery, the assertion of the "right to manage". This could be any manufacturing company renewing itself in the productivity "miracle" of the mid-1980s. That it is the paternalist one whose Quaker founders used to distribute cocoa to workers who went on strike elsewhere only makes it more piquant.

Yet the tale is more complex and illuminating than the myth of the decade. Cadbury did not suddenly find a new resolve because its unions were weakened by unemployment and hostile legislation. Instead, competitive pressures shifted the coalition of power within management to give the upper hand to those who distrusted the old ways. Nor did the changes amount to a break with the past. Welfare paternalism and regimented work returned. "Cadburyism" was remoulded like a misshapen chocolate bar at Bournville.

Above all, the labour-intensive working practices swept away by Operation Fundamental Change, the work restructuring programme started in 1982, were not merely held in place by recalcitrant unions. Managers supported them as an alternative to expensive capital investment. Bournville's women packers worked so fast for relatively low wages that the company rejected the idea of replacing them with machines throughout the 1960s and 1970s. It was only the ability of Mars to mass-produce a limited number of products at low cost which finally pushed Cadbury into mechanisation.

Only then did the tradition of union consultation, and the "piecework culture" in which all changes in line speed and work intensity were agreed with stewards, become an obstacle. While the "labour intensifiers" among managers held sway, the union structure was accepted. It was attacked only when the "automation romantics", who believed the ideal factory was one without workers, took charge. Their machines required employees to work in new ways, which the company believed required new negotiating methods.

"I'm a people-oriented man, but the time has come to kick this lot in the teeth," said the manufacturing director on the eve of the most painful changes in work practices. There had certainly been some curious traditions. The book provides a richly comic account of the Bournville works council, a body dominated by union stewards which bogged changes down in endless discussion. Some managers attended just to see colleagues they disliked being ritually humiliated. When it snowed, the council's reaction was to summon the adverse weather conditions committee.

The abolition of the works council was the first seismic shock that rumbled through Bournville, after the company appointed a personnel director with a brief to take on the unions. The council had been in place since 1918, a product of the family's early conversion to involving workers in decision-making. Cadbury had even flirted with the idea of stronger forms of worker participation in the mid-1970s. In the event, the product crisis steered it towards more assertive management and heavier reliance on technology.

There was a similar ambivalence in the way the company reorganised work in the 1980s. Changes on the Easter eggs line required a breaking of demarcations and more flexibility, while in the automation of boxed chocolate assortments, production engineers used to old assembly line principles built the new one in a way that made it impractical to bring in team working.

So what Cadbury went through in the 1980s was a remoulding rather than a revolution. The leap in productivity gained through heavy capital investment did not amount to a new philosophy or set of working practices. Instead, the old order reasserted itself after an upheaval. The ambivalent, compromising, muddled spirit of Cadburyism survived.

In that sense, it is a cautionary tale. For it shows how particular and extreme were the conditions of the British productivity miracle; how much of an internal shock it required for companies. The sustained productivity rises of Japan involve a degree of work flexibility and involvement which still remain distant from the UK. Cadbury and others sloughed off their union bureaucracy and their failure of management will in the 1980s. Few made root and branch changes in how they work to carry them through another decade, and another recession.

John Gapper

OBSERVER

NatWest spells it out

■ Did Lord Alexander, the new and untested chairman of National Westminster Bank, blunder when he warned earlier this week that the group's County NatWest securities business must make a profit within two years?

As an eminent lawyer he should know how to guage the choice of words better than most. UBS, Barclays and Hongkong and Shanghai Banking Corporation have all poured far more money into their London securities operations than NatWest, and with almost equal lack of success. But to date none have given any indication that they are not in the business for the long haul. So were his Lordship's comments misjudged or misinterpreted?

The effect on morale at County NatWest, whose market share and general analyst quality have improved considerably over the last year, is said by some to have been devastating. It would be most surprising if other commercial bankers did not hold Lord Alexander's view.

Managers in industries which have lost far less money and have far better prospects must be wondering what all the fuss is about. The risks are that County NatWest's best analysts will walk out of the door or its customers will not take it seriously any longer. Both have been overstated.

If a relatively strong player in the industry is showing that it is prepared at last to think commercially about its operations, it should be welcomed. Rather surprising though that it was NatWest that siezed the initiative.

Normal business

■ The revelation that the businessman husband of Serious Fraud Office director Barbara Mills QC is being pursued for failing to file his company's accounts was not being regarded by the SFO yesterday as a Nightmare on Elm Street.

According to the March issue of Business magazine the compliance section of the DTI's companies registry is chasing Mr John Mills for failing to provide accounts since 1987 for John Mills Ltd, which trades as Westminster Trading from the couple's Camden Town Home.

The reaction from the SFO's Elm Street headquarters was that Mrs Mills had had no connection with her husband's business activities since 1971.

But was the "revelation" an embarrassment? "We don't deal with that sort of thing; we only deal with facts," said a spokesperson.

Start again

■ The following message for PPE undergraduates in the latest Oxford University Gazette says it all. Delete "Economics of Communist Countries" and substitute "Command Economics and their Marketization", with immediate effect.

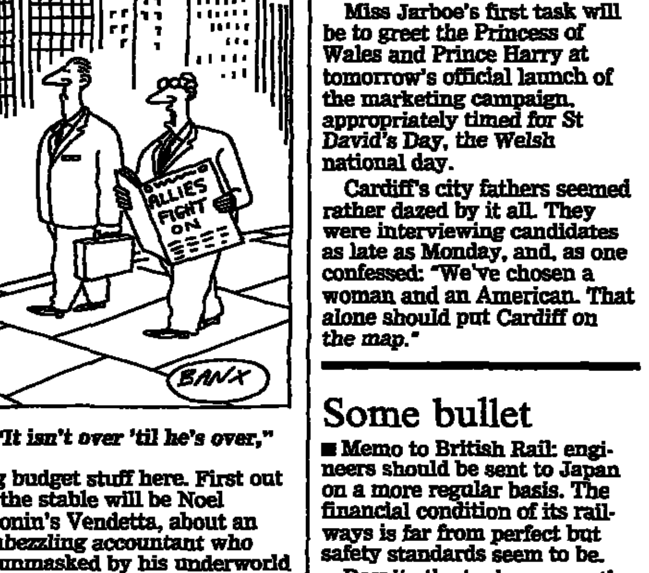
And don't forget to mention it to your big brother.

Tax dazzle

■ Sheltering from tax can be more thrilling than it sounds. Most UK Business Expansion Scheme companies tend to be bland affairs. But now the ailing British film industry has worked out an ingenious scheme to lure investors into backing films which offer "madness, obsession, and murder", and escape tax. String of Pearls PLC, a film production company, was launched yesterday with the public blessing of Susannah York and Hayley Mills.

Unfortunately, the funding limits of the BES impose a constraint on directorial ambitions, so we are not talking big budget stuff here. First out of the stable will be Noel Cronin's Vendetta, about an embezzling accountant who is unmasked by his underworld bosses. It is likely to be in the same vein as Mr Cronin's previous films Midnight Fear ("Madness. Obsession. Murder.") and Mirage ("Too terrifying to be real . . . too deadly to be anything else").

Neither made much impression on the critics, but both made a profit.



"It isn't over 'til he's over,"

Cardiff woman

■ When New York banker Norma Jarboe exchanged her Manhattan office suite for London's trouble spot, Brixton, eight years ago, she little thought Britain was to become her home.

The 44-year-old Jarboe first made her name polishing up Citibank's image in the poorer neighbourhoods of New York. Her experience on New York's Flatbush project led to her secondment to Brixton to help develop private sector housing in the aftermath of the riots. She then stayed on to head Citibank's UK corporate affairs before going freelance. Yesterday, she reappeared yet again with a £10m budget and a brief to put the Welsh capital on the international map as the first chief executive of Cardiff Marketing.

Miss Jarboe's first task will be to greet the Princess of Wales and Prince Harry at tomorrow's official launch of the marketing campaign, appropriately timed for St David's Day, the Welsh national day.

Cardiff's city fathers seemed rather dazed by it all. They were interviewing candidates as late as Monday, and, as one confessed: "We've chosen a woman and an American. That alone should put Cardiff on the map."

Some bullet

■ Memo to British Rail: engineers should be sent to Japan on a more regular basis. The financial condition of its railways is far from perfect but safety standards seem to be.

Despite the typhoons, earthquakes, snowstorms, landslides and other calamaties that frequently shake the land of the rising sun, one of its 170 mph bullet trains has just carried the system's three billionth passenger.

Moreover, this feat, which took only 26 years and five months to achieve, was accomplished without a single casualty, let alone fatality. Indeed, despite a rigorous schedule on the three lines which fan out from Tokyo to northern and western Japan, delays of any kind are so rare that they are regarded as major news events.

To put this record in perspective BR's inter-city service carries some 60m passengers a year. Don't even ask about BR's record on time-keeping, and as for the Japanese rolling stock and roadbeds, they have been maintained in a condition which demoralised passengers on Network Southeast would find other worldly.

Economic Viewpoint

The collapse of UK inflation

By Samuel Brittan

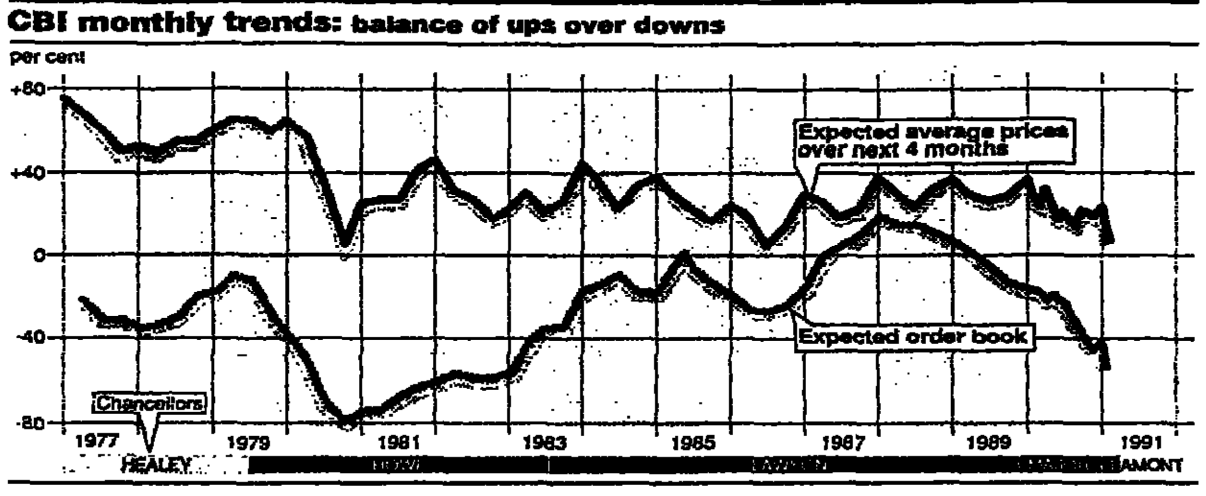
The latest base rate cut, because it has not been properly prepared for in ministerial statements (a cost of Budget purdah?) could look like giving in to political pressure or panic at the new domestic economic forecasts. In fact, it can be amply justified by the news on the inflation front (and also by the German tax increases). The British government's war on inflation is as nearly won as the US war on Saddam Hussein.

In last week's Lombard (February 18) I reported that headline inflation was likely to fall to 5 per cent – and possibly a lot less – by the end of 1991. A large part of this fall, however, represents a quirk of the retail price index. Now, at last, one can point to indications of a genuine fall in underlying inflation – indications which indeed suggest that the rise in the year-on-year producer price index for January was, if not a "blip", at least an "aberration".

The new indicator needing attention is the CBI monthly trends survey for February. This shows virtually the lowest balance – 6 per cent – of industrialists expecting to increase their prices since the question was formulated in 1977. The only time when the balance was as low as this was in June 1986, when factory gate prices were reflecting the collapse of the oil price. This time there is no such distortion; and the February survey mainly confirms and intensifies a trend already apparent in the last, more broadly based, quarterly survey.

The biggest obstacle to larger interest rate cuts is the overblown ministerial fear of losing face if they have to raise interest rates again

CBI monthly trends: balance of ups over downs



Contrary to establishment exhortation, lower wage increases usually follow, rather than lead, a fall in inflation. Nevertheless many worthy people will not believe that inflation has been licked while the underlying earnings index is rising by 9¾ per cent per annum. Mr Giles Keating of CSFB has just written a paper suggesting that pay settlements (which are not quite the same as earnings because of "drift") will come down quite quickly from about 9 per cent in the last few months of 1990 to about 6 per cent by the end of this year – the same as the Bundesbank expects for Germany.

His main reason, apart from the general conjuncture, is that the long-term unemployed will be a smaller proportion of the total jobless in the present than in the last recession. This is because the present one has started in the south-east rather than in the north. A young clerk who loses his job in the home counties is much less likely to join the long-term unemployed than a middle-aged blue-collar worker on Tyneside. The relevance of this to pay is that the short-term unemployed compete more vigorously in the job market and thus bring more downward pressure on wage inflation.

Scarcely was the ink dry on Keating's paper than the CBI reported the biggest quarterly fall in pay deals for four years for the first quarter of 1991. The actual fall, from 9 per cent to 8.3 per cent, is not sensational, and early estimates for a quarter that is not yet finished are often revised upwards. But on this occasion it is supported by signs that one in 10 companies are delaying or staging their annual settlements. It is nevertheless a notable straw in the wind and worth grasping during economic turning points when most indicators lag so badly as to be worse than useless.

The policy response to these events depends on market reactions. One value of the exchange rate mechanism is that it puts economic management on a semi-autopilot. The lower limit to British base rates is normally provided by German short-term interest rates, now at about 9 per cent. At 13 per cent British base rates still embody an inflation and depreciation premium of 4 per cent. This could be a good deal lower if the facts about British inflation were more generally realised at home and abroad; and a little bit of trumpet-sounding would be educational. At most times I would expect a minimum risk premium on UK interest rates of about 2 per cent, until John Major becomes fully and credibly committed to monetary union. But at times like the present, when sterling can rise within its wide band, this differential could temporarily disappear or even go into reverse. Moreover, the higher-than-expected German tax increases improve the chances that German interest rates have reached their peak.

The biggest obstacle to larger interest rate cuts – apart from the absurdists who want to leave an international arrangement soon after they have joined it – is the overblown ministerial fear of losing face if they have to raise interest rates again soon after reducing them. Whether interest rates are regarded as a price or an economic weapon, the most elementary point about them is that they have to move in both directions. If politicians cannot live with these facts of life they should be in another line of business.

The NIESR February Review wonders whether better signals about inflation could reduce the amount of unemployment required before pay settlements fall to a rate compatible with full ERM membership. The institute has developed a new index which it regards as a superior signal to the RPI for wage bargainers. The suggested index has two aspects. It is European-based and it takes into account both recorded inflation over the last four quarters and expected inflation in the four quarters to come. In the last couple of years the "European Inflation Index" has hardly moved from just under 4 per cent.

The idea is excellent. But there are two weaknesses. First, the index is based on an average of Germany, France and Italy. In view of Germany's role as the anchor of the ERM it should be based on Germany alone. Second, it does not take into account non-traded services, where productivity increases are less and which should add a good 1½ percentage points to the UK inflation rate over and above anything determined in international markets. The two errors more or less cancel each other out; and we are left with about 4½ per cent as the going Europe-based inflation rate which pay bargainers should rationally take into account. There is now a chance that it will come within the bounds of practical politics.

A teenager's guide to trade

Any thought of abandoning my teenager's guides was put aside by the reaction to the January trade figures, which were quite wrongly greeted as disappointing and, ironically, as weakening the chances of a further base rate cut, *writes Samuel Brittan.*

Even on a one-month basis, the so-called deterioration was entirely accounted for by items such as ships, North Sea installations, aircraft, precious stones and silver. These do fluctuate dramatically, however irritating the idea is to the eye-shade journalist. The chance arrival of an aircraft in the trade figures before polling day might well have cost Harold Wilson the 1970 election, in view of the narrowness of the result. Surely we should have learned better by now.

This time the distortion is on the export side. For, as the Financial Times report pointed out, items such as Tornado jets to Saudi Arabia were disrupted by the Gulf. In addition, North Sea output fell to its lowest level since January 1989, largely because of an 11-day shutdown for safety work at the BP Forties field.

The underlying trend is still away from deficit. As the table shows, export volumes, excluding oil and erratics, rose by more than 7 cent in 1990, while import volumes only rose by 1 per cent. In the three months to January, export volumes fell by 1 per cent while import volumes fell by 2½ per cent (non-annualised).

Of course the results reflect the slowdown in world growth and the British recession. The NIESR forecast of a £9bn recorded current deficit in 1991 and £10bn in 1992 is as good a guess as any. It corresponds to less than 2 per cent of GDP compared to 4 per cent in 1989. In contrast to the NIESR, the projected "deficits" seem to me quite sustainable.

UK terms of trade have also improved by 3½ per cent compared with a year ago. The improvement is partly due to the effect on import prices of sterling's recovery in the months up to ERM membership. But depressed commodity prices have made an independent contribution.

There is little comfort for those who believe that sterling is overvalued against the ERM. UK exports bucked the trend and rose only in Europe. The fall in import values is also entirely attributable to shipments from Europe. Faster growth in Europe than the rest of the world could not alone account for such results if the sterling-ERM rate were fundamentally uncompetitive.

UK Trade volume: % change (exc. oil and erratics)

Year	Imports	Exports
1986	+7.1	+2.4
1987	+8.8	+7.6
1988	+14.6	+4.4
1989	+7.4	+9.2
1990	+1.2	+7.3
Three months to Jan 1991*	-2.5	-1

*Over previous three months

Source: CSO

Lombard

The unanswered ethical questions

By Simon Holberton

One of Britain's leading business schools asks applicants for its master of business administration degree how they resolved an ethical problem that they had encountered in their work life.

How many business school academics ask themselves the same question?

The recent resignation by Professor John Kay, an economist at the London Business School (LBS), from an advisory post with British Telecom, is an example of an academic refusing to lend his name to a case – for "rebalancing" controls on BT's pricing – in which he did not have full confidence.

Would that other business school academics had Professor Kay's sense of what is appropriate. Today in Britain the following two situations are becoming commonplace:

- As part of their permitted extramural activities, business school academics carry out consultancy for a large company, for which they are paid a fee. They then turn what they have observed and advised on into a piece of "research", possibly bringing together further observations from other companies for which they consult.
- Alternatively, their institution, in search of external funding, gets several companies to form a club. These fee-paying members then become the subject of "research".

In both cases, the question to be asked is how objective can this research be? Is there not the risk that he who pays the piper also calls the tune? In the second case, what can research about a self-selected group of companies tell us of the way companies behave generally, away from the researcher's scrutiny?

Take two recent practical examples. In the first, a distinguished LBS academic lent his own, and his institution's, name to an occasion organised by a firm of management consultants acting on behalf of a large and no less distinguished company. The audience heard a paean of praise for the host company – compliments perhaps deserved, but better avoided by academics with claims to scholarly objectivity.

In another recent case, a professor at the Ashridge business school published an anodyne collection of research generated from studying a club of sponsoring companies.

Although the research carried an oblique declaration of interest, the business and management practices under scrutiny were merely described rather than critically analysed, compared or appraised.

Our understanding of business gains little from such practices, and the reputations of British business schools as institutions capable of disinterested research run the risk of being tarnished in the process.

Governors of business schools should cast a critical eye over the extramural activities of their staff. Academics should be asked to decide if they want to be a teacher/researcher or a consultant. Otherwise, the two roles risk increasing conflict.

Since Professor George Bain took over as head of the LBS 18 months ago he has started to deal with this conflict. He plans to increase staff salaries while requiring his academics to reduce their extramural consulting. Staff will also be evaluated on teaching, research and on their participation in school activities. This is to the good.

But heads of business schools should also take a critical look at the sort of research their staff are doing and who is funding it. If the purpose of research is to increase our knowledge and understanding of the world then they should be alert to actual and potential conflicts of interest.

Government funding, such as that through the Economic and Social Research Council, is in short supply. None the less, the ESRC has been known to fund research on business issues; it just depends on the quality of the research project.

British business needs research it can rely upon. It could best achieve such an aim by supporting an organisation, operating the same academic standards as the ESRC, which awards funding for business research on the basis of the most deserving projects. Britain's business schools should form such an organisation; companies which currently sponsor "club" research should channel their funds towards it.

LETTERS

ERM credibility theory is irrelevant

From Mr Giles Keating.

Sir, The London Business School's call for a move to a narrower ERM band ("Narrower ERM band for £ urged", February 25) is premature, especially the suggestion of a move to a lower central parity.

The theory is that such a move, by reducing sterling's downside potential, boosts the credibility of the government's commitment to the ERM, thus allowing lower interest rates.

This argument is at best irrelevant and at worst dangerously wrong. Irrelevant, because the peseta is so strong that sterling's current effective floor against the D-Mark is about DM2.90, a figure that would be unaltered by a move to the narrow band at the current central parities. Dangerously wrong, because moving to a narrow band at a central parity of DM2.85 – and devaluing by similar amounts against other ERM currencies – would lower the effective floor against the D-Mark from about DM2.90 to about DM2.80, the opposite of the LBS intention.

Such a move might cause sterling to weaken sharply, creating an unexpected loss for investors, damaging sterling's embryonic credibility as an ERM currency and possibly making it more difficult to cut UK interest rates.

At some point, possibly during 1992 or 1993, a move to the narrow band may be appropriate. Retention of the broad band until then has two main advantages:

1. It allows greater autonomy for UK monetary policy. Suppose the UK economy is recovering healthily by late 1991, with base rates at about 11 per cent and a weakening German economy pushing D-Mark rates below 8 per cent. Suppose too an election has occurred with the winning party endorsing the current ERM parity.

In these circumstances, there could for a while be strong upward pressure on sterling and downward pressure on UK interest rates. To avoid a repetition of 1988's mistakes, it would be very useful to have the freedom for sterling to rise temporarily to DM3.13, as allowed by the broad band.

Later, this freedom should become less necessary as falling inflationary expectations allow control of UK demand at a lower level of nominal interest rates.

2. Estimates put the DM/£ PPP (purchasing power parity) rate at just below 3.20, but this figure is subject to considerable uncertainty and will, in any event, decline by an unknown amount during the, desirably brief, period that UK producer price inflation remains above the German level.

Retaining the broad band until 1992 or 1993 will allow a decision to be taken then, on the basis of two to three years' experience within the ERM, on whether a DM2.95 or DM2.85 level would be most appropriate as the central parity for sterling's narrow band.

By then, the peseta might have weakened, so if 2.85 were chosen, it would have the advantage – which it does not have now – of leaving sterling's downside unchanged at about DM2.78 and thus not damaging credibility.

Giles Keating,
executive director,
Credit Suisse First Boston,
2A Great Titchfield Street,
W1

League sets out blacklists stance

From Mr Jack Winder.

Sir, Referring to John Gapper's article ("Commons Committee condemns secret blacklists", February 21), our director general told the House of Commons employment committee last June: "The league believes that all organisations which supply information about job applicants other than normal employers' references and state security services should be subject to regulation and licensing in legislation. Furthermore, we believe that under the terms of the licence companies should be required to conform to a statutory code of practice."

On the right of individuals to review and refute information held about them, the league provides full answers to every such enquiry and plans to computerise such records, register under the Data Protection Act, and so comply with the committee's recommendation.

Jack Winder,
director of information & research,
The Economic League,
79-83 Temple Chambers,
Temple Avenue, EC4

Lords' decision sounds death-knell for swap deals

From Mr Andrew Ayres.

Sir, I would like to make some observations on the article by Derek Wheatley QC (Business Law: "Question mark over swaps", February 21).

First, the sentence at the end of the ninth paragraph should have read "swap dealing was *not* within the powers of the council". I am sure this was the author's intention and that the word "not" was omitted inadvertently but nevertheless your readers might have been somewhat confused.

Second, Mr. Wheatley said: "We all know that gaming contracts are unenforceable."

However, many swaps entered into by local authorities could not justifiably be described as gambling contracts. Also, section 63 of the Financial Services Act 1986 would save most swaps from being wagering contracts.

Third, while it is true that certain provisions in the Companies Act 1989 should diminish the effect of the *ultra vires* doctrine, the new act does not prevent shareholders taking action against directors who have committed their company to transactions it should not have entered into.

A counterparty could therefore find that it was a party to a transaction with a company the directors of which were the subject of litigation or had been forced to resign.

It seems that it will still be desirable for a counterparty to check the memorandum and articles of association of corporate counterparties, obtain board minutes and satisfy itself that the swap or other hedging transaction is being entered into for debt management purposes. For example, most banks already check carefully to see that the building societies with which they enter into swap transactions are empowered to do so, and that the societies disclose the purpose of the swap.

This, of course, is hardly possible in the current swaps market where, as Mr Wheatley says, dealers may have only a few minutes to decide whether to accept a bargain or not.

One of the more surprising elements of the House of Lords decision was the ruling that Hammersmith and Fulham had no power to carry on the interim strategy, namely that of terminating certain contracts and only entering into new swaps and similar transactions for the purpose of reducing loss on earlier contracts.

I believe, however, that it is possible for a local authority to compromise an action or, possibly, a threatened action for restitution.

What it cannot do is enter into a further *ultra vires* transaction. Compromising an action cannot, it is submitted, be *ultra vires* so long as it is clear that there is a bona fide dispute as to whether the local authority is liable to make restitution.

I am afraid that the House of Lords' decision in the Hammersmith and Fulham case may have sounded the death-knell of the London swaps market as it has been previously conducted, not only for local authority swaps but for other categories of swaps as well.

Andrew Ayres,
Norton Rose,
Kempson House,
PO Box 570,
Camomile Street, EC3

Not so popular

From Mr Reuben Löwy.

Sir, in his article ("Thatcher in transition", February 23), Philip Stephens writes that "nowhere is Thatcherism more revered than in Britain's Jewish community".

I would like to distance myself strongly from such a wide, sweeping and undocumented claim.

Reuben Löwy,
8b Hillfield Park,
Muswell Hill,
N10

Don't bet on it

From Mr G B Hill.

Sir, The first sentence of Samuel Brittan's column (Lombard, February 18) was: "Faithful readers will know how sceptical I am of forecasts and will not be surprised to hear that I take very few bets."

This reminded me of Sam Goldwyn's classical edict: "Never prophesy, especially about the future."

G B Hill,
42 Eggington Road,
Wollaston,
Stourbridge,
West Midlands.

FINANCIAL TIMES
Thursday February 28 1991

Kuwaitis rejoice amid ruins of their capital

Victor Mallet reports on liberation celebrations – and evidence of Iraqi atrocities

THE people of Kuwait City yesterday poured onto the streets in a day-long outburst of gratitude and rejoicing.

They waved Kuwaiti, American and British flags as columns of Kuwaiti, Saudi and Egyptian tanks and armoured cars advanced into the city under a lowering sky of storm clouds and black smoke.

Kuwaiti troops fired more bullets into the air to celebrate yesterday than they did to defend their country when the Iraqis invaded on August 2 last year

For political reasons, the Arab forces were allowed to bask in the glory of what was essentially an American military triumph.

This was, however, no time for jealousy. The Kuwaiti soldiers themselves leapt off their armoured cars to embrace American colleagues guarding the approaches to the capital.

Kuwaitis, joined by Indian and Filipino migrant workers, greeted their liberators with cries of "Welcome to Kuwait", "God is Great", and – on seeing British people – "God Save the Queen".

I, for one, have never seen so many people so happy at one time.

As the sound of falling bombs still echoed in the distance, old men, veiled women and laughing children danced and cheered atop burnt-out Iraqi tanks and waved portraits of Sheikhs Jaber and Saad al-Sabah, the Emir and Crown Prince of Kuwait.

Almost every Kuwaiti told of Iraqi atrocities against themselves, their families or their friends. Even if some accounts were exaggerated there was plenty of evidence of Iraqi brutality.

At the Adan hospital, Kuwaitis who had been shot in the back of the head at close range lay in the morgue alongside Iraqi soldiers killed in the past three days. At the Rikka cemetery there were 38 communal graves, each holding the corpses of four unidentified Kuwaitis.

Iraq's departing army left a trail of spiteful devastation behind it. Huge fires burned at oil terminals along the coast, at oil wells inland and at power stations throughout the city. Several of the major hotels were set alight by the Iraqis three days ago. A Saudi soldier died yesterday after standing on a land mine.

Dr Jaffar Mohammed, chief of preventive medicine at the Ministry of Health said: "Everything in Kuwait has been destroyed. I'm a doctor, and I personally have seen the bodies of five young men and women who were shot in the back of the head after being tortured."

He said: "I'm relieved and I am happy and I thank the US, Britain and the coalition allies. Kuwait was like a big concentration camp."

Kuwaitis all over the capital spoke of young men who had been arrested and disappeared, of bloated bodies hanging from telegraph poles and of sons being shot in front of their mothers on the doorsteps of their homes.

Residents said the Iraqi security police responsible for most of the torturing of Kuwaitis had left the capital on Sunday in civilian cars.

Many of the troops were not so lucky. Their trucks and tanks, bombed by US planes or destroyed by US tanks, marked the path of their frantic attempts to flee Kuwait. Metal, rubber, plastic and wood in unimaginable shapes littered the ground.

Allied bombing appears to have been precise, if not quite as accurate as the allied military spokesmen would have us believe. There was little sign of structural damage beyond what was perpetrated by the Iraqis themselves in August and in the past few days, but Iraqi beachfront emplacements had been hit repeatedly from the air.

At the Adan hospital, however, five people were killed at a staff hostel two weeks ago, probably by allied bombs, and a patient in one of the wards had lost his leg when his house was hit from the air. Doctors said the Iraqis had stored ammunition in the hospital and taken shelter there during air raids.

Plentiful stocks of medical supplies lined the corridors and there was no sign that equipment had been stolen. But staff said this was because the Iraqi army brought its wounded to the hospital for treatment.

Iraqi sabotage has deprived Kuwait, which once boasted a modern and efficient infrastructure, of electricity, telephones and running water.

Food is in short supply, and some people have been reduced to eating rice with a spoonful of canned vegetables. Last night, Kuwait City was dark, except for the lurid orange glow of numerous oil fires lighting up the clouds. But the mood was one of jubilation.

Last night former resistance fighters and self-styled militiamen with crimson armbands set up roadblocks. They were hunting for Iraqi soldiers and Palestinians suspected of collaborating with the invaders. But there were no immediate signs of any violence.

The vociferously anti-Palestinian mood in Kuwait – where 350,000 Palestinians used to live – suggests that Mr Yassir Arafat, leader of the Palestine Liberation Organisation, made a grave blunder in supporting President Saddam Hussein's ambitions in the Middle East – at least as far as Kuwaitis are concerned.

"We need flags to wave," said one Kuwaiti woman as the allied forces entered the city. "American, British and Israeli too." Many Kuwaitis and other Gulf Arabs now say openly that they want to recognise Israel, a fellow victim of the Iraqi leader in this Gulf war, and expel Palestinian residents. Not all Palestinians collaborated – and some even assisted the allied cause – but Kuwaitis seem to remember only those who informed on the resistance.

Groups chosen to bid for reconstruction

By **Andrew Taylor**, *Construction Correspondent, in London*

A GROUP of 36 international engineering and construction groups have been selected to bid for the first batch of emergency repair and reconstruction contracts in Kuwait.

According to British companies, the list of groups which have pre-qualified to bid for the first contracts includes 12 US companies, 10 British, 10 Saudi Arabian, two French and one Kuwaiti and one Cypriot company.

The US groups are understood to include Bechtel, Brown and Root and Morrison Knudsen. The two French companies are Sogea and Bouygues.

Some British companies previously had complained that US groups, because of the strength of the US military in the Gulf, were likely to take the lion's share of reconstruction work.

The companies must provide details of their tenders including prices for plant, materials, labour and profit margins to the US Corps of Engineers on Friday.

The first contracts could be awarded within 24 hours of receiving the bids, according to one large British contractor.

The speed of the Iraqi military collapse in Kuwait means that it has become urgent to let the first batch of contracts as quickly as possible so emergency repair work can start.

The Kuwait government at the beginning of this year awarded to Corps of Engineers, part of the US military, a 90-day contract to manage repairs and restore essential services when the fighting ends.

The 10 British groups include GEC Marconi as well as several large construction groups with wide experience of working in the Middle East, such as Wimpey, Laing, Costain and Higgs and Hill.

Other British companies on the list include Lilley, a general contractor, Edmund Nuttall, tunnelling specialists, and Biwater, which specialises in developing and operating water and sewerage systems.

According to documents sent to British companies, contracts initially will be to help clear roads and reconnect major highways, restore water, sewerage and electrical systems, assist with the reopening of ports and airports and to carry out emergency repairs on buildings.

The value of individual contracts, according to the document from the Corps of Engineers, will be between \$2m and \$6m. The eventual cost of emergency repair work, however, is likely to be several hundred million dollars.

Brussels, Bonn in row over European bank

By **David Buchan** in Brussels and **David Marsh** in Bonn

A WAR of words on European monetary union (Emu) flared between Brussels and Bonn yesterday after the EC Commission criticised Germany's suggestion of delaying the creation of a European central bank at least until 1997.

The German Finance Ministry rejected as "incomprehensible, and, in this form, unusual" the Commission statement yesterday attacking the German draft text on Emu released in Brussels on Tuesday.

In the most controversial part of the proposals, Bonn suggested that creation of the mooted European central bank should be postponed at least until 1997 instead of taking place in 1994, as the Commission and some other EC member states have been hoping.

Yesterday's exchange comes after several weeks of unease in Community capitals, above all in Paris, over signs that Germany wanted to delay institutional progress towards Emu. Mr Jacques Delors, the Commission president, had hoped he could prevail upon Chancellor Helmut Kohl to persuade his finance ministry to drop its reticence about early creation of the European central bank.

Jacques Delors: in favour of bank's early creation

Bonn also said the central bank should be set up only after EC leaders agreed they were ready to move to a single currency. This restrictive formula carries the hallmark of the Bundesbank, whose policy-making council recently approved Bonn's draft Emu document.

The Commission claimed that Bonn's proposal contradicted the agreement of EC heads of government in Rome to set up an embryonic central bank when the second phase of Emu starts.

The Commission spokesman, referring to the Rome agreement that "at the start of the second phase, the new Community institution will be established", said the Bonn plan "does not conform with the communiqué."

The Commission dismissed as playing with words Germany's contention that it was sticking to the terms of the October agreement. Bonn argues that its plan to upgrade the present EC committee of central bank governors into "council" with changed powers meets the call for a new "institution". Commission officials retort that everyone in Rome had in mind that the new body should be nothing less than the planned European system of central banks.

UK project may assist parties in S Africa

By **Ralph Atkins** in London

A NEW foundation, funded by the British government and offering aid to political parties in fledgling democracies, could eventually help South African political parties committed to democracy.

Mr Douglas Hogg, UK Foreign Office minister, is finalising details of the foundation. It has been under consideration since last summer and is expected to be unveiled in the next few weeks.

Initially, help is expected to go mostly to new political parties in eastern Europe but the government has decided that no country should be excluded if it is regarded as meeting basic requirements.

That could allow support for parties commited to a democratic process in South Africa – including the African National Congress. But one official cautioned that this was "some way off" and depended on the pace of reform.

Ministers have consulted the opposition Labour and Liberal Democrat parties over the plans amid anxiety at Westminster that Britain might be left behind other western European countries in supporting political parties in eastern Europe.

"Britain has lost a lot of time in getting engaged, not only in central and eastern Europe but other parts of the world," said Mr George Robertson, the Labour party's foreign affairs spokesman.

German state-funded political foundations have already moved into east Europe, helping to foster political parties. The Konrad Adenauer Foundation – attached to the Christian Democrats – has offices in Warsaw, Budapest, Prague and Moscow as well as in South Africa.

The Friedrich Ebert Foundation – linked to Germany's Social Democrats – has offices in Moscow, Warsaw, Budapest and Prague.

Plans being finalised at the British Foreign Office envisage a board of trustees comprising academics and civil servants. UK political parties, or other organisations, who would apply on behalf of political parties in other countries.

Aid is likely to be small scale, focusing on offering advice or paying for equipment such as computers. Additional sponsorship is likely to be sought from the private sector.

The fund would extend UK aid available for emerging democracies under "knowhow" financing. Its aim would be the promotion of pluralistic democratic systems without favouring any political creed.

Last year, Mrs Margaret Thatcher, then prime minister, surprised many in a letter to Mr Bernie Grant, a Labour MP, in which she raised no objections in principle to funding any democratic party in South Africa.

US, Britain reject offer

Continued from Page 1

Iraq at this stage," the Foreign Office said.

The Iraqi ambassador to the UN objected strongly to the description of his country's offer as "conditional". "Let's forget about conditions," he said. "If your are not alive, you cannot walk; you cannot implement the resolutions without a ceasefire."

The Iraqi delegate also argued that some of the UN resolutions on the Gulf crisis, for example the demand that Iraq quit Kuwait and allow foreign embassies there to function, were no longer applicable, because they had been fulfilled.

Mr Anbari said Iraq was prepared to release all prisoners-of-war. Asked about the 20,000 foreign civilians still reported to be in the country, he said that, if Iraq was willing to free military prisoners, there were even better reasons for letting civilians go.

Allies pound Guard units

Continued from Page 1

The British spokesman said the Ist Armoured Division was continuing its operations against Iraqi forces in southern Iraq and had destroyed 150-200 tanks in the 24 hours up to late yesterday afternoon.

Gen Schwarzkopf claimed the allied strategy was a triumph of careful planning and brilliant execution. He also demonstrated how allied forces had deceived the Iraqis, convincing them to concentrate their troops in anticipation of a frontal attack on Kuwait's southern border by an amphibious landing. This deception had enabled the allies to carry out a fast moving encirclement which was in its final phase.

He confirmed that the timing of the land campaign was exactly as he reccommended to the Mr Cheney and Gen Colin Powell, chairman of the joint chiefs of staff, a fortnight before the ground offensive started.

UK cuts base rate

By **Our Economic and Political Staff** in London

THE UK government cut interest rates yesterday for the second time in a fortnight, taking advantage of sterling's resilience within the European Monetary System to stimulate the domestic economy.

Lenders began to lower their mortgage interest rates within an hour of the announcement.

This reinforced an emerging mood of optimism among Conservative MPs at Westminster and underpinned speculation that Mr John Major, the prime minister, would be tempted to call a general election as early as the summer. The government would then be able to capitalise on the conjunction of falling interest rates, lower oil prices and the probable end to the Gulf war.

Only the timing of the half percentage point cut in the bank base rate to 13 per cent – with its strong political implications – surprise the markets and City of London.

The Treasury denied that the cut had any political dimension and said the move was made on economic grounds.

Continuing evidence that inflation was easing, coupled with the pound's strong performance on the foreign exchanges, had created the "appropriate conditions" for a further easing in borrowing costs, the Treasury said.

Sterling sagged only slightly after the cut, confirming the authorities' judgement that it would be safe to ease monetary conditions. It closed in London half a pfennig down at DM2.9150, its fall within the exchange rate mechanism limited by the dollar's rise against the D-Mark. A 25.8-point rise to 2,348.0 in the FT-SE 100 share index on the London stock market was helped by an early advance on Wall Street.

● In Spain, the three-month interbank rate fell 20 basis points to 14.4 per cent after news of the UK base rate cut.

Analysis and reaction, Page 11; Editorial comment, Page 14; Lex, Page 16.

THE LEX COLUMN

Just another base rate cut

One for the by-election, one for the Budget. Even before yesterday's UK base rate cut, the markets were half way to discounting the next one. They are now there entirely. The March sterling future assumes rates of 12.4 per cent the day after the Budget, a prospect which seems not to worry the foreign exchange market in the slightest. The futures market then goes a further step by discounting just over 11 per cent by June, which if true would presumably make a snap election a racing certainty.

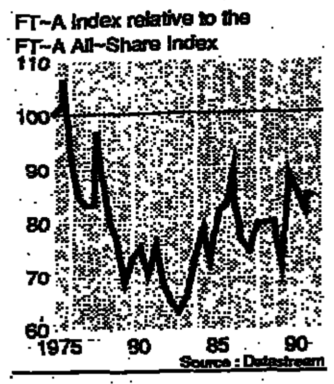
There are several obvious flaws in this, one of which concerns the relationship between sterling and the D-Mark. Among the effects of the promised end to the Gulf war has been a revival in the dollar at the D-Mark's expense. Hence sterling's comfortable position within the ERM. But if the D-Mark weakened too far, the Bundesbank might conceivably construe that as undue monetary laxity and revert to a hawkish stance on interest rates.

Given the progress being made on raising German taxes, that may be unlikely in practice. But there is an odd persuasion gaining ground in the markets that the end of the war will revive consumer spending worldwide and thereby halt the trend to monetary easing. Thus, it is said, the US interest rate cycle has bottomed and the next move will be up. And indeed, US interest rate futures are now discounting 7.3 per cent by Christmas, as against 6.7 per cent now.

The snag about this, in turn, is the lack of hard evidence on how much the fall in consumer confidence was due to the Gulf crisis as opposed to the underlying cycle. But the fact remains that if the end of the war means a revival in activity, there is that much less scope for interest rate reductions worldwide. There is no doubt that UK rates are still coming down. They may have to do so in a slightly less helpful global context.

Commercial Union

Insurance composite



Commercial Union can derive a certain grim satisfaction from yesterday's appalling results. Ten years ago, it was bottom of the heap and a prime candidate for takeover. Today it is virtually assured the honour of being the only quoted UK composite to report a pretax profit for 1990, or for that matter to escape losses in excess of £100m. The group's life and pensions business has come to the rescue as expected, with a 13 per cent underlying increase at the pre-tax level – conveniently just enough to offset the damage wrought elsewhere by storms, subsidence and other catastrophes. Years of patient nursing in the US have also provided a turnround from £39.5m of losses in 1989 to operating profits of £12.9m. US provisions have now been considerably reduced, though CU's experience confirms that competition is intense and that the underwriting cycle is still heading downwards.

The real question, though, is what will happen in the UK. CU yesterday was talking about pushing through further increases in personal lines during the summer and claims it needs 15 to 20 per cent rises in commercial premiums just to break even. It may have to sacrifice market share to make those sorts of figures stick. On the other hand, the big jump in reinsurance premiums should soon start to work its way through the system and the chance of a repeat of last year's weather claims can now virtually be dismissed. The fact that a 27 per cent drop in shareholders' funds has not deterred the company from a 7 per cent rise in the annual dividend suggests that it believes its own propaganda.

Lasmo

When an oil exploration company has enjoyed a 20 per cent increase in annual output and a 15 per cent rise in the sterling price of its product, it should come as no surprise that its earnings per share moved ahead by 34 per cent. Indeed, Lasmo's 13 per cent increase in the full year dividend could be classed as slightly mean, given the 22 per cent underperformance of its shares since last August.

Lasmo has strong cash flow and a solid balance sheet, with minimal gearing despite heavy capital expenditure. The shares at 368p are on a cash flow multiple of around 5½, which looks cheap in isolation. Of all the international explorers, it is overdue a big find. Its well-diversified acreage gives it a sporting chance. In short, the long-term outlook is positive.

The problem is that the longer the big find proves elusive, the worse the company's medium-term record looks compared with that of, say, Enterprise. Since 1984, Lasmo has produced average annual growth in reserves per share of just 1.8 per cent. Not including last year, Enterprise managed 10 times better. Of Lasmo's 44m barrel increase in reserves last year, 13m was the result of UK asset swaps. Take this away and it was not a vintage year for the drill-bit. The fall in oil prices this year will probably mean a drop in operating profits, not helped by the fact that the depreciation charge is rising sharply because Lasmo capitalises exploration costs. Throw in the nagging uncertainty about asset values at a time when the oil price outlook is at its most opaque and it might be argued that the shares are indeed fully valued for the time being.

General Accident

General Accident's fourth quarter results reflect either a burst of Scottish prudence or the extent to which the UK market deteriorated at the end of last year. Probably both. Net UK underwriting losses in the quarter amounted to over £100m, which is going it a bit when one recalls that the £80m in the first quarter covered the most expensive storms in history. The weather, subsidence and motor claims have all taken their toll, though there is a suspicion that the company may also have got as much bad news out of the way as possible.

NZI Bank would finally appear to be turning the corner, the quality of the US business is above average and there is a drive to reduce middle management in the UK. But only an optimist would hope for much more than break-even this year, so GA will need to draw on its balance sheet a little longer to pay the dividend. Perhaps with that in mind, the company pointed out yesterday that net assets have risen from 330p to 371p per share since the year end. Against that figure, the cost of the final dividend was just 16p per share.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	15	59
Algiers	F	17	63
Amsterdam	C	1	34
Athens	S	15	59
Bahrain	–	–	–
Bangkok	F	34	93
Barcelona	F	14	57
Beirut	–	–	–
Belfast	C	7	45
Belgrade	S	8	46
Berlin	F	2	36
Biarritz	R	9	48
Bombay	S	28	82
Bordeaux	R	9	48
Boulogne	F	11	52
Brussels	Fg	2	36
Budapest	S	6	43
Buenos Aires	F	34	93
Cairo	F	19	66
Cape Town	S	22	72
Caracas	C	36	97
Casablanca	F	17	63
Chicago	S	-7	19
Cologne	S	8	46
Copenhagen	S	0	32
Corfu	S	15	59
Dallas	S	4	39
Dublin	R	6	43
Dubrovnik	S	15	59
Edinburgh	F	8	46
Faro	S	15	59
Florence	F	16	61
Frankfurt	S	6	43
Geneva	S	12	54
Gibraltar	R	14	57
Glasgow	C	7	45
Helsinki	S	-3	27
Hong Kong	C	18	64
Innsbruck	S	13	55
Inverness	C	5	41
Islamabad	C	12	54
Istanbul	C	7	45
Jakarta	R	31	88
Jersey	Fg	7	45
Johannesburg	F	27	81
Lima	F	23	73
Lisbon	F	13	55
London	C	8	46
Los Angeles	F	13	55
Luxembourg	S	8	46
Madeira	F	16	61
Madrid	F	12	54
Majorca	F	16	61
Malaga	F	17	63
Malta	S	16	61
Manchester	C	7	45
Manila	F	31	88
Melbourne	C	19	66
Mexico City	C	26	79
Miami	R	15	59
Milan	S	13	55
Montreal	F	-10	14
Moscow	Sn	1	34
Munich	C	1	34
Nairobi	F	29	84
Naples	C	13	55
Nassau	C	30	86
New Delhi	S	22	72
New York	C	-1	30
Nice	S	13	55
Nicosia	F	17	63
Oporto	F	12	54
Oslo	F	-2	28
Paris	F	7	45
Peking	F	6	43
Prague	C	0	32
Reykjavik	Sn	1	34
Rhodes	S	16	61
Rio de Janeiro	F	33	91
Rome	F	16	61
Salzburg	C	4	39
San Francisco	C	12	54
Seoul	R	4	39
Singapore	C	25	77
Stockholm	S	-1	30
Strasbourg	C	4	39
Sydney	C	23	73
Taipei	–	–	–
Tangier	C	14	57
Tel Aviv	–	–	–
Tenerife	S	19	66
Tokyo	S	11	52
Toronto	S	-10	14
Tunis	S	16	61
Valencia	F	18	64
Venice	S	11	52
Vienna	S	4	39
Warsaw	C	0	32
Washington	S	-1	30
Zurich	Fg	3	37

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday February 28 1991

INSIDE

Otto Versand buys holding in Next

A battle may be looming for control of Next as Otto Versand, the privately-owned German mail order business, announced yesterday it had bought a 3 per cent stake in the UK fashion retailer and intended to raise its holding up to 10 per cent. Otto, is already buying Grattan, Next's mail order division, for £140m. Sears, the UK retailer which owns the Freemans mail order business, has previously expressed an interest in Grattan and owns a stake in Next, believed to be just below 3 per cent.

Klöckner-Werke profits fall

Klöckner-Werke, the German steel and engineering company, saw last year's operating profits fall to DM290m ($189.5m) from DM425m in 1988-89. The group plans to pay a DM5 dividend for the current year. Last year's DM5 payout was the first since 1974-75. Page 19

Can't buy me innovation

It is one of the biggest financial commitments to research and development of any leading corporation. Last year Siemens, the German electronics company, spent close to DM7bn ($4.48bn) on R&D. It needed to in order to meet intensifying competition in its core businesses. But the company has recognised that money alone will not buy success in the race to develop and produce competitive high-technology products, writes Stewart Fleming. Page 25

Fast forward for Cityvision

Cityvision, the UK video rental group, has reported a 31 per cent rise in pre-tax profits for the year to November 30 and plans to buy 46 stores from Video Store Group, the rival rental company that went into receivership earlier this month, for £2.4m ($4.58m) in cash. Cityvision warned that profits would fall in the first half of the current year but the outlook for the second half was more encouraging. Page 24

Akzo cuts dividend

Akzo, the Dutch chemicals and fibres group, yesterday reported a 30 per cent decline in 1990 profits and a cut in its dividend. This is the first time since 1982 the company has reduced its payout. Net profit fell to Fl 663m ($385m) from Fl 954m in 1989. If extraordinary items are excluded in both years, net profit was down 22 per cent at Fl 729m. Akzo's dividend is to be cut to Fl 6.50 from Fl 8.00 in 1989. Page 18

Paris, Texas

French farms are getting bigger every year. Nineteen hectares was average in 1970, 23 hectares in 1979 and 28 in 1988. At this rate the average size will be more than 36 hectares by the year 2000. This trend is one reason why French farmers and their government have united against proposals put forward by the European Commission for a reform of the Common Agricultural Policy. The proposals go against the grain. They involve cutting farm produce prices and providing compensation in the form of income support — but mainly for farms of less than 30 hectares. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Metallgesel	483.5	+	19
Porsche	820	+	10
Rosenthal	325	+	5
Sud-Chemie	620	+	10
Zanders	223	+	7
Falls			
Karstadt	570	–	8

NEW YORK ($)

Rises			
Caterpillar	53⅝	+	3⅞
Chevron	74⅜	+	2⅛
Mobil	63½	+	2⅛
Texaco	63½	+	2¼
Falls			
Amgen	93	–	4¼
Woolworth	33⅛	–	1⅜

PARIS (FFr)

Rises			
Bouygues	578	+	27
Cetelem	632	+	8
Essilor	390	+	15
Peugeot	512	+	9
Vallourec	297	+	8
Falls			
Union Immob	586	–	9

TOKYO (Yen)

Rises			
Alconnisz Dnt	610	+	65
Ishii Iron	1190	+	120
Kawai Music	831	+	79
Takuma	1850	+	210
Yokkaichi	1150	+	100
Falls			
Chiyoda Elect	1010	–	90

New York prices at 12.30.

LONDON (Pence)

Rises			
Baton (P)	355	+	20
Br Aerospace	611	+	37
C'brdad Robey	50	+	15
Clinton Cards	274	+	27
Douglas (RM)	450	+	32
Fisher (Jas)	96	+	8
LASMO	368	+	13
Lopex	57	+	12
NatWest Bank	308	+	17
Next	32½	+	4
P & P	122	+	10
Page (M)	34	+	4½
Premier Cons.	57	+	7½
Rolls-Royce	161	+	9
Severfield-R.	51	+	5
S. Wales Elct	203	+	11
Taylor Wdrow	282	+	17
Wessex Water	365	+	15
Falls			
Business Tech.	88	–	11
Central TV	484	–	11
Chelsea Man	35	–	4

● Number of weather-related claims soars ● Theft costs up 50% ● Poor returns on investments

Leading UK insurers suffer heavy falls

By Richard Lapper

DIFFICULTIES in the UK insurance industry were highlighted yesterday as two of the country's big five insurance companies unveiled poor 1990 results.

Commercial Union and General Accident registered heavy non-life underwriting losses. Royal Insurance, which reports today, and Sun Alliance and Guardian Royal Exchange, which report in the next few weeks, are also expected to post heavy losses.

GA reported pre-tax losses of £121.3m ($231.7m), against a profit of £147m in 1989. CU reported a small pre-tax profit of £1.4m, compared with £150.5m in 1989. However, this was attributed mainly to its strength in the life insurance market.

Mr Nelson Robertson, chief general manager of General Accident, said 1990 was "the worst year we have ever experienced".

Mr Peter Ward, CU's general manager responsible for trading operations in the UK, said 1990's underwriting results had been affected by an "unprecedented number of adverse features". Both companies were hit by a series of weather-related claims. Storms in January and February 1990 produced one of the UK industry's worst ever losses.

Two dry summers have also taken their toll in the form of record subsidence claims. CU reported that claims from subsidence were nine times higher than two years ago.

Motor accidents claims are also up, along with fires and theft. CU says the cost of theft claims rose 50 per cent in 1990 compared with 1989. The cost of fire claims rose 25 per cent. Insurers have also been hit by "claims inflation", with the value of claims rising at a rate 2 to 3 per cent greater than the underlying Retail Price Index.

Underwriting losses in the UK were particularly serious in the fourth quarter of 1990 when the industry was hit by a rash of heavy fire claims.

The weakness of investment markets has compounded the industry's problems. Although the balance sheets of British insurers are still strong relative to other sectors, the capital base of CU and GA has declined significantly in 1990. Shareholders' funds at Commercial Union fell more than 27 per cent last year to £1.23bn.

All insurers are likely to seek an increase in premiums. With their own re-insurance costs rising steeply, all five composites increased household rates by 10 per cent last year. A further rise this year is possible.

Insurers are also keen to increase rates for commercial lines – the insurance bought by industrial and service companies – which have been driven to unprecedented lows by rate competition. As the cross-border insurance buying becomes more common in Europe, insurers are under increasing pressure to retain market share.

Mr Ward believes increases of between 15 and 20 per cent are necessary to restore the profitability in these lines. He says that CU is determined to increase rates even if it means losing business.

Lex, Page 16; Loss at US insurer, Page 19

BTR Nylex declines for first time in eight years

By Bruce Jacques in Sydney

BTR NYLEX, the Melbourne-based conglomerate 64 per cent-owned by BTR of the UK, has suffered its first earnings fall in eight years.

The company has come through depressed markets for its plastics, packaging and building products with a 6.1 per cent fall in net earnings to A$489m (US$385m) for 1990, from A$521.04m a year earlier. Earnings per share fell to 22 cents from 24.3 cents.

Reflecting the tough times, directors broke with a five-year tradition and failed to announce a scrip share issue. They have, however, raised the annual dividend to 11.75 cents a share from 11.25, lifting the indicated payout to A$266.5m from A$244.7m.

Mr Alan Jones, chairman, said most of the company's markets, except packaging, slid into recession in the year. "The sectors worst affected were automotive, building products, commercial interiors and consumer products," he said.

"On the other hand, activities in our Asian operations, particularly Malaysia, Thailand and Taiwan, were buoyant.

"During the second half of 1990 management energies were directed at rationalising and reshaping operations to reflect the current business activity. In that process, rationalisation and redundancy costs in excess of A$35m were charged against the operating profit for the period."

First-half operating profits fell to A$941.49m from A$1.02bn. Net profits were A$225.64m against A$256.38m; interest charges A$177.67m compared with A$196.8m; and depreciation was A$184.2m, up from A$158.15m. Minority interests were A$49.15m against A$48.06m.

Rey: First attempt to sell a controlling Adia stake was thwarted

Twists at the end of Omni's debt tunnel

William Dullforce looks at the strategy of Werner Rey

Has Mr Werner Rey succeeded in resolving his cash and debt problems by selling a majority stake in Adia, the big employment and services group, for SFr770m ($592m) to Asko Deutsche Kaufhaus and Mr Klaus Jacobs?

In Zurich and Geneva yesterday this question was the focus of discussion over the deal announced by Asko, the big German retailing house. The general view was that further twists are likely in the saga that has unfurled since the Swiss financier announced last autumn that he wanted to sell.

Mr Jürg Neck, spokesman for Omni Holding, Mr Rey's parent company, said that talks about the sale of an interest in Omni to Lonrho, the London-based group controlled by Mr Tiny Rowlands, were "quite advanced". Lonrho refused to comment.

Mr Rey, 47, has had a fabulous career as investor, raider and industrialist since he burst on to the Swiss financial scene in 1976. He bought for SFr6m a 20 per cent stake in Bally, the Swiss shoe company. Under pressure from the Swiss business establishment, which resented the intrusion of an outsider, he was forced to sell it, but made a SFr50m profit on the deal.

From then on, in a rapid sequence of company purchases and sales, he put together a large, highly diversified group with interests in banking, services, property and manufacturing, operating in Germany, Britain the US, and Switzerland. Last year Bilanz, the Swiss financial magazine, estimated his personal fortune at about SFr1.5bn.

Mr Rey's approach has been two-fold – to build up strategic investments for the longer term in service and industrial companies while also running a merchant banking operation, buying and selling smaller companies with unexploited assets.

Omni's major Swiss holdings are in Adia, Sulzer, the big Swiss engineering company, the Jean Frey printing and publishing group and Ateliers de Construction Mécaniques de Vevey, a manufacturer of turbines and transport equipment.

But Omni also owns 54 per cent of Harpener, the Dortmund-based parent for a clutch of German property, power, shipping and service companies. Through OmniCorp International BV in Amsterdam, it held stakes in the UK's Hudson Place Investments and Parc Securities and in the US in Omni Swiss Properties.

Last year, Swiss analysts reported that Mr Rey had been caught by the recession, the slump in stock market prices and the rise in interest rates just when he needed to raise new equity to finance investments based on borrowings.

His first attempt last month to sell a controlling stake in Adia to Comco Holding, Asko's Swiss subsidiary, was thwarted after the press criticised the deal for being struck at an artificially high price.

Last week Metro, another big German retailing group, dropped a plan, under which it would have bought a stake in Omni and provided Mr Rey with a stand-by credit.

On Tuesday Mr Klaus Jacobs stepped in. He is estimated to have collected some SFr2bn in cash from the sale last year of his controlling interest in Jacobs and Suchard, the Swiss coffee and chocolate group, to Philip Morris, the US conglomerate.

Asko announced that Mr Jacobs was joining it in a 50-50 joint venture which would buy the 53 per cent of voting rights in Adia on offer from Omni. The price was SFr1,100 a share compared with the SFr1,600 that Comco would have paid. Under the Comco deal, however, Omni would have repaid SFr440m for a 48 per cent interest in Asko's Swiss subsidiary.

On the other hand, of the 700,000 shares involved in the new deal it is understood that Omni will have to buy 100,000 from a core group of Adia shareholders at a price higher than SFr1,100 a share. Mr Neck said Omni's net cash gain from the new deal would be about as much, around SFr500m, as that expected from the Comco deal.

But Omni is still in rough water. It has to untangle an outstanding debt of SFr216m convertible into Adia shares which form part of the stock being sold to the Asko-Jacobs partnership.

Harpener, in which Japanese companies have an interest of some 30 per cent, has asked Omni to buy back the 29.5 per cent stake in Hudson Place Investments which International Leisure Group sold to it in December.

At the end of 1989, Omni reported assets of more than SFr4bn, equity of roughly SFr1bn and borrowings of SFr3bn, of which SFr500m was attributable to minority interests.

Since then Mr Rey has sold some smaller investments but analysts believe that the debt had grown and that Mr Rey is by no means at the end of his troubles.

Ahold plans acquisition of big US supermarket chain

By Ronald van de Krol in Amsterdam

AHOLD, the leading Dutch food retailer, plans to acquire Tops Markets, a New York-based supermarket group with annual sales of US$1.15bn, ending the Dutch company's long search for a fourth major supermarket chain to add to its extensive US business.

The two companies have signed a letter of intent on the transaction and hope to close the deal in April. Ahold declined to disclose the terms.

Ahold said that Tops Markets, a privately-held company, is the biggest food retailer in western New York state.

It owns, either directly or through franchises, 59 Tops Friendly Markets, 76 Wilson Farms convenience shops and 10 B-Kwik "superettes".

Tops Markets, which has a workforce of 11,000, posted pre-tax operating profit of $36.1m in 1989-90.

The Dutch retailer already owns three big supermarket chains in the eastern part of the US – First National, Bi-Lo and Giant Food.

These chains make it one of the top dozen US food retailers, with 342 supermarkets located in an arc running from New England through Pennsylvania and Ohio down to South Carolina.

"Tops represents a remarkably good fit with Ahold's existing US operations in terms of its retailing formats, market approach and geographic location," said Mr Rob Zwartendijk, president of Ahold USA.

The latest acquisition tips the balance between Ahold's US and European activities slightly in favour of the US. Last year, half of Ahold's turnover of Fl 17.5bn ($10.2bn) was generated in the US.

However, Ahold said it would continue its strategy of maintaining a 50-50 balance between US and European activities. Last year, Ahold's US sales rose 8.8 per cent in dollar terms, outstripping the 5.9 per cent increase posted in the Netherlands.

The company, whose Albert Heijn supermarket chain is by far the largest in the Netherlands, is discussing possible joint venture arrangements with partners in Czechoslovakia.

It is a founding member of Associated Marketing Services, the European marketing partnership which also includes Argyll of the UK and Casino of France.

SKF declines 29% to SKr1.75bn

By Robert Taylor in Stockholm

SKF, the world's leading roller bearings manufacturer, announced yesterday a 29.1 per cent drop in profits after financial items for 1990 to SKr1.75bn ($308m) from SKr2.47bn. The result includes a SKr28m fourth-quarter loss.

Group sales rose 10 per cent last year to SKr27.7bn from SKr25.6bn.

The company said it plans to cut its 49,000 workforce worldwide by 2,500 this year with a 20 per cent reduction in its employees in Sweden.

The company said that the change in its financial position during the year had been "rapid and sharp". Executive officer Mr Mauritz Sahlin said SKF had never experienced a faster downturn.

The first quarter of 1990 was one of the most successful in the history of SKF with a profit after financial items of SKr721m but the economic downturn began before the onset of the Gulf crisis with a profits drop to SKr622m in the second quarter.

SKF said the decline in the business hit most of its markets except for the Asia Pacific region and Germany, although the growth rate fell there as well during 1990.

The company forecast that results for 1991 would be worse than last year because of the general international business climate as well as the uncertainty due to the Middle East crisis.

The board announced a dividend of SKr4.25 per share, unchanged from 1989.

The dramatic deterioration at SKF comes after seven successive years of growth which culminated in a 62 per cent profits increase in 1989 to SKr2.47bn.

However, it is forcing the company to adjust its production capacity to market needs in roller bearing and machine tools production across its plants worldwide.

"The restructuring of our product areas that took place last year has put us in better shape to take the right decisions now", said Mr Sahlin.

The company has improved productivity through reform of the manufacturing system which has shortened the flow lead times and cut the size of inventories.

It has also become "more customer oriented," say Mr Sahlin through a major reorganisation which has switched the focus from geographical to business areas that report directly to a slimmer head office in Sweden. "We get signals much faster from our customers now", he says and claims that SKF is more sensitive to sudden shifts in the market.

Akzo reduces its dividend after reporting 30% fall

By Ronald van de Krol in Amsterdam

AKZO, *the Dutch chemicals* and fibres group, yesterday reported a 30 per cent decline in 1990 profits and a cut in its dividend.

This is the first time since 1982 the company has reduced its payout. Net profit fell to *Fl 663m ($385m) from Fl 954m* in 1989. If extraordinary items are excluded in both years, net profit was down 22 per cent at Fl 729m. Akzo's dividend is to be cut to Fl 6.50 from Fl 8.00 in 1989.

Both the decline in earnings *and the lowering of the dividend* had been expected, and Akzo's shares closed Fl 1.30 higher at Fl 91.30 after recovering from initial weakness.

Mr Aarnout Loudon, Akzo's chairman, described the results as disappointing, saying they *had been caused not only* by external factors such as the dollar and the Gulf crisis but also by internal difficulties in integrating recent acquisitions.

Akzo said *it was difficult* to predict full-year 1991 results but results in the first quarter *will probably be lower than in* the same quarter last year.

Restructuring could lead to the loss of more than 2,000 jobs during 1991. At the end of 1990, Akzo had a workforce of 69,800, down 1,100 from the year before.

Sales in 1990 fell by 8 per cent to Fl 17.2bn, while group operating profit was down 26 per cent at Fl 1.26bn. More than half of the Fl 291m *decline in net* results reflected difficulties in Brazil, in Germany, and in Spain.

Lasmo lifts net income 37%

By Deborah Hargreaves in London

LASMO, the independent oil exploration and production *company, saw a 37* per cent jump in net income last year to £82m ($157.5m) from £60m in 1989 on the back of a strong oil price.

The company boosted oil output by 20 per cent during the year to 86,100 barrels a day *(b/d) to take advantage of high* oil prices which rose to $40 a barrel after Iraq's invasion of *Kuwait.*

Lasmo received an average price for its oil of £12.32 a barrel last year compared with £10.76 a barrel in 1989.

With *the current strength of* sterling against the dollar, Lasmo needs an oil price of *over* $15 a barrel *to make a* profit from North Sea operations. At a lower price, the company would not make a loss, but it would not make much of a profit either.

Mr Chris Greentree, chief executive, said he expected the price of oil to stabilise at around $20 a barrel this year if the Organisation of Petroleum Exporting Countries managed to cut output.

Last year, Lasmo increased its capital expenditure by 78 per cent to £253m as part of a *plan to* double production by 1994.

The company has earmarked a further £200m this year for field development and £150m *towards exploration in* a bid to raise UK output to 100,000 b/d by 1995.

In addition, the company has intensified efforts to diversify out of the North Sea with interests in Indonesia, Canada, the US, Libya and Syria.

Lasmo currently produces 43,000 b/d from the North Sea and over 20,000 b/d from its facilities in Indonesia.

It is due to become Canada's first offshore oil producer late next year when production starts off Nova Scotia.

Last year, the company saw cash flow from operations rise almost 60 per cent to £234m from £147m in 1989. The board recommended an increase in the final dividend to 8.5p from 7.5p in 1989.

The company expects its crude oil output to rise to 93,000 b/d this year and it is looking to drill 160 exploration *wells and 100 development* wells worldwide.

Lex, Page 16

Michelin to end joint venture in South Korea

MICHELIN, the world's largest tyre maker, will next month end a joint production venture *in South Korea, because of* "profound differences of opinion" with its 50 per cent partner there, write William Dawkins in Paris and John Ridding in Seoul.

The 3.5m tyres per year operation at Yangsan, about *250 miles from Seoul,* was Michelin's first joint venture when the deal was signed in 1987 with Wnon Poong, the country's third largest tyre maker.

The Korean partner met financial difficulties and was *taken over by Woosung,* a diversified industrial conglomerate which did not share Michelin's desire to protect the high quality image of its tyres, said a spokesman for the French company.

Korean import duties have *fallen sharply in recent* years and the economic slowdown has left Michelin with spare capacity in Europe. This makes imports into Korea more attractive than local manufacture.

Michelin will receive no payment for its 50 per cent stake in the company, said an official.

The decision comes against a background of a 26 per cent fall in foreign investment in Korea last year.

Debt swapped for stake in the future

David Lascelles on UK banks taking equity in troubled companies

As the *financial problems* of corporate Britain pile up, UK bankers are being forced to contemplate new ways of dealing with them.

One possibility is to exchange a loan to a problem company into a direct investment – a *debt-for-equity swap.* There has been a growing number of examples of this recently. NatWest swapped £1.5m of loans to Halls Homes & Gardens into preference shares; Bank of Scotland headed a group of banks which is taking equity warrants as part of a £34m ($65m) refinancing for the L&M property company; and Midland Bank will swap £1.5m of loans in Acsis, a design and media company, into ordinary shares.

But bankers say that they *embark on* these kinds of deals with reluctance. And *they stress* that they do not amount to a trend which could result in banks becoming owners of industry.

Sir John Quinton, the chairman of Barclays Bank, said in an interview with the FT last week: "There are superficial attractions, but in the end it is not so practical. I am not keen to see companies being handed over to the banks.

"We do it occasionally, but we find it's not popular with our *customers. If we think it* can help, we'll do it, but on the basis that we sell out eventually. We are *not in the business* of getting into German-style ownership of industry."

The attraction of a debt-for-equity swap *is that it provides* bankers with an alternative to calling in the receivers. It also cements the relationship between the bank and its client, *and provides added comfort to* the troubled company's suppliers and creditors which could make all the difference between survival and collapse.

But *against that,* bankers are wary of letting themselves in for transactions which draw them too close to their *customers* and compromise their essential role as suppliers of credit. They have neither the resources nor the expertise to get involved as owners of a company. And, under the UK's new bankruptcy laws, they risk being defined as "*shadow directors*" *of a company* if their financial influence becomes too great. In that case, they would bear a legal responsibility for the company in the same way as *regular directors.*

When a bank takes a controlling stake in a company it might *also find its capital ratios under* pressure. The Bank of England would deduct the value of the bank's investment from its own capital because the funds would have become part of the company's resources. The bank would then have to replace the capital in its own *balance sheet* or shrink its assets.

All this helps explains the coolness of bankers to the debt/equity *idea.* "Equity conversion must be part of an overall financial package, not an end in itself," says a senior executive at NatWest. "We'd be willing to do more of it, but not to become like German banks."

The constant reference to German practice points to another strong reservation among UK bankers: they see their own banking traditions differing sharply from *the German,* where banks customarily own large stakes in their customers, and are represented on their boards. British banks view themselves as lenders, *not* investors, and they have not acquired the skills which ownership requires. Even *though the* German model has plainly been very successful, it is not thought *to be suitable* for the very different UK environment where investment funds are provided through the stock market. Even so, in the case of Halls Homes & Gardens, the *willingness* of NatWest to become a *direct* investor was clearly decisive in securing *the company's* future.

Mr Clive Gregory, its chairman and chief executive, says the idea for a debt conversion came from the existing shareholders rather *than the bank* and was welcomed by the company. "It got us over the financial hump," he said.

Halls already had a close relationship with NatWest because it was created out of a management buy-out in the early 1980s arranged by County, NatWest's *merchant banking* arm. So both sides knew each other well.

Mr Gregory dismisses, however, the idea that he now has NatWest breathing down *his* neck. He believes the bank took a much closer interest in his company when it was *perilously close* to collapse, rather than now, when its gearing is much reduced and *falling.*

The Bank of England does not object to banks taking on equity, provided *it is* seen as a temporary arrangement or a necessary part of a wider refinancing package.

But it shares the view that the financing systems of the UK and Germany are too distinct for banks to become owners of a large slice of *corporate* Britain.

There is always a fear in the back of bankers' minds that agreement to convert the debt of one company into equity will set off an avalanche of demands from other hard-pressed customers. This explains why they are deliberately vague *about the criteria* they use to decide whether to take on a conversion.

In one of the largest deals currently under negotiation – Lloyds Bank's proposed conver*sion of* £50m of International Leisure Group's debt – the bank will only say *that* it recognises that the company has a balance sheet problem, not just a liquidity problem.

But generally bankers say they have to be convinced that *the company* is fundamentally a sound business, with good management and prospects, and that there really is no alternative to conversion. "It really has to be the last-ditch *alternative,*" said one of them.

French insurer in German deal

ASSURANCES Générales de *France (AGF),* the internationally ambitious French state-owned insurance company, *has confirmed that it had* bought a small minority stake in Aachener & Muenchener Beteiligungs (AMB), Germany's second largest insurer, writes William Dawkins in Paris.

The French group acquired less than 10 per cent of AMB's shares before the Gulf war broke out in mid-January, as *part of its policy of taking* positions in insurance markets across Europe, said an AGF *spokesman. AGF supported* AMB's existing management and had informed it of the *move in advance.*

Philips to abandon official name

PHILIPS of the Netherlands is to simplify its legal structure and change its name to Philips Electronics, thereby doing away with its official name of Philips Gloeilampenfabrieken, writes Ronald van de Krol.

The changes, due to be put to the annual shareholders' meeting on May 2, are designed to give slightly more power to shareholders. They also, in effect, put an end to one of the *company's three anti-takeover* devices, though Philips still remains well protected against *a hostile bid.*

WestLB operating profit declines 15% to DM850m

By David Marsh in Bonn

WESTDEUTSCHE Landesbank, the large public sector German bank, said that group operating profit last year declined by 15 per cent to DM850m ($574m), compared with 1989.

Mr Friedel Neuber, chief executive, said the rise in interest rates and spending on European expansion ate into profits. *Another reason for the* fall was the deterioration of the stock market climate *caused by the Gulf crisis. The* bank made substantial write-offs on its securities holdings.

WestLB also further increased its provisions for country risks and has a group-wide contingency ratio of 70 per cent. Total group assets last year grew 12.4 per cent to DM201.5bn.

WestLB's new European branch network, *operating as* WestLB (Europa) made an "encouraging" contribution of *DM54m to the group result.*

Metsä-Serla falls into the red with loss of FM41m

By Enrique Tessieri in Helsinki

METSA-Serla, one of Finland's largest forest groups, fell into the red during 1990 with losses before *appropriations* and taxes of FM41m ($11.3m), against a profit of FM566m the *previous year.*

Net sales rose to FM8.73bn from FM8.67bn, while consolidated operating *margin* dropped to FM1.06bn from FM1.61bn. Earnings per share plummeted to a loss of FM0.80 from a profit of FM28.55.

Metsä-Serla blamed its pretax result on the global downturn of the forest industry, which has created overcapacity and depressed prices of all forest products grades. *Mr Timo* Poranen, president, also blamed high Finnish production costs as well as the high value of the markka for the group's poor result.

Metsä-Serla said it was pleased with its paper and paperboard operations as well *as corrugated* board and tissue paper operations, which saw their sales increase by around 13 per cent to FM3.2bn and FM2.77bn respectively. However, pulp and mechanical forest products reported a drop in sales and profitability.

Investments during *1990* amounted to FM3.8bn.

Woolworth expects to beat target for growth

WOOLWORTH, the US retailer, said yesterday economic problems in the US, Canada and Australia, and uncertainties *created by the Gulf war, will* continue to adversely affect results until the middle of the year, Reuter reports.

But an economic recovery, *expected to start in the second* half, should enable the company to exceed its target profit growth of 13 per cent to 16 per cent for the full year.

Woolworth's fourth-quarter net fell to $149m or $1.15 per share from $175m or $1.37 per share a year before.

Revenues rose to $3.1bn from $2.8bn. Earnings for the year ended *January 26* were $317m or $2.45 per share, down from $329m or $2.56 a share a year *earlier.*

Sales advanced to $9.79bn from $8.82bn.

● Bolar Pharmaceutical, the US generic drugs company, has agreed to plead guilty to a 20-count criminal information proceeding filed last month by the US District Attorney for the District of Maryland, Reuter reports.

Bolar said it agreed to pay a $500,000 fine on each of the counts as well as about $250,000 of the costs of a government investigation.

INTERNATIONAL COMPANIES AND FINANCE

US insurer turns in fourth quarter loss of $610m

By Patrick Harverson in New York

USF&G, the troubled composite insurance group, yesterday announced a net $610m fourth-quarter loss alongside a sweeping restructuring programme, including one-off charges against earnings, a dividend cut and the withdrawal from non-core businesses.

The loss, worth $7.32 a share, compares with a profit of $104m at the same stage in 1989. Losses for the full year of 1990 were $569m, or $6.99 a share, against profit of $119m, or $1.24 a share, in 1989.

The Baltimore-based casualty/property and life insurance group, the 13th largest in the US, said it was liquidating a substantial portion of its equity and junk bond holdings, at a cost of $218m.

The group is also writing off losses on real estate, equity securities and junk bonds, at a cost of $137m.

The quarterly dividend is being cut from 25 cents a share to 5 cents, and the group is withdrawing from its leasing, travel services and other non-core businesses.

Other measures taken by USF&G to improve its financial position have included the loss of 900 jobs, a salary freeze, and a $28m reduction in advertising and promotional expenditure.

The group hopes to sell about $750m of its equity holdings by the end of March, and has warned that further significant cuts in staffing levels will be required.

Mr Norman Blake, the chairman and chief executive of USF&G, said the group would concentrate on its traditional businesses of insurance and investment management.

Mr Blake took over at USF&G late last year with a remit to transform a group struggling under the weight of heavy claims on core commercial lines and poorly-performing investments in junk bonds and commercial real estate.

"The actions we have taken and those contemplated are essential for USF&G to maximise its underwriting opportunities, build its investment management businesses and generate attractive value for shareholders," said Mr Blake.

The fourth-quarter loss was incurred on consolidated revenue of $1.2bn. Revenue for the full year totalled $4.5bn. Both figures were slightly below comparable 1989 revenue.

Among USF&G's core businesses, property/casualty insurance lost a net $326m for the quarter, and $192m for the year, while life insurance operations lost $41m in the quarter, and $16m for the year.

The investment management unit reported a net loss of $7m for the last three months of 1990, and a loss of $13m for the 12 months. All core businesses were affected by portfolio repositioning and restructuring costs, said the company.

Ericsson takes stake in Schrack

By Robert Taylor in Stockholm

ERICSSON, the Swedish telecommunication group in alliance with several Austrian banks, has become the largest shareholder in Schrack Electronik, the Austrian telephone company.

Ericsson will buy 33.5 per cent of Schrack's shares while the Austrian banks, with Creditanstalt-Bankverein in the lead, will purchase 49.5 per cent of the shares between them.

The value of the deal was not revealed. Schrack has an annual turnover of $220m and employs 1,900 people making public telephone exchanges for Austrian Telecom. It has also installed over 10,000 private telephone systems in the country.

Ties between Ericsson and Schrack go back to the end of the 1970s when the Austrian company first started selling Ericsson's private branch exchanges (PBXs). In 1984 Schrack started licensed manufacture of MD110, Ericsson's digital PBX.

Mr Olav Hamstad, Ericsson's head of business co-ordination, said the decision to become the largest shareholder in Schrack Electronik would enable it to develop its activities in Hungary and Czechoslovakia. "We see in this future investment opportunities in eastern Europe," he added.

Feldmühle Nobel slips 3% to DM530m

By John Burton in Stockholm

STORA, Europe's largest pulp and paper concern, said yesterday that Feldmühle Nobel (FeNo), the German forestry and engineering subsidiary it acquired last year, suffered a 3 per cent drop in profits after financial items to DM530m ($348.6m) for 1990.

Sales rose by 5 per cent to DM9.4bn. Profits for the Feldmühle forestry unit fell by 20 per cent to DM266m due to DM60m costs associated the start-up of a lightweight coated paper machine in France.

In addition, capital gains for Feldmühle decreased by DM50m last year.

Profits improved for other FeNo units, which Stora plans to sell. Profits at the Buderus subsidiary, which makes heating equipment and aircraft fittings, increased 47 per cent to DM112m. Dynamit Nobel, which produces explosives and moulded plastic products, reported a profit rise of 11 per cent to DM89m.

Capital gains of DM178m for the sale of FeNo's hygienic paper unit were excluded from FeNo's results, but will be included in Stora's 1990 consolidated report.

Genentech, SmithKline in heart drug battle

By Louise Kehoe in San Francisco

GENENTECH, the US biotechnology company, has filed a suit against SmithKline Beecham, charging that the Anglo-American pharmaceuticals company is falsely advertising the merits of its heart-attack drug, Eminase, in comparison with Genentech's competing drug, Activase.

The lawsuit comes shortly before publication of a study called ISIS-3 (Third International Study of Infarct Survival) on heart attack drugs. The study compares the survival rate of 30,000 heart attack patients treated with three competing drugs.

Genentech's Activase, a genetically engineered form of TPA, was not included in the ISIS-3 study, but another form of TPA produced by Wellcome of the UK was compared with SmithKline Beecham's Eminase as well as with streptokinase, a much cheaper conventional drug produced by Hoechst of Germany and Kabi Pharmacia of Sweden.

In its complaint, Genentech asserts that SmithKline's advertisements in medical journals and on television contain false representations that are intended to mislead cardiologists into believing that the results of the ISIS-3 study will provide a comparison between Genentech's Activase and Beecham's Eminase.

Activase is Genentech's largest revenue generator. The company has been criticised for the high price of Activase. If the results of ISIS-3 are interpreted to suggest Activase is no more effective than cheaper drugs, Genentech stands to lose its dominant 60 per cent share of the US heart-attack drug market.

Genentech is seeking an injunction to force SmithKline to halt its advertising campaign. A preliminary hearing has been scheduled for Thursday. SmithKline said the suit "appears to be aimed at inhibiting the free and open exchange of scientific information."

The ISIS-3 study was financed by Beecham and Wellcome.

Klöckner-Werke annual earnings fall to DM290m

By David Marsh in Bonn

KLOCKNER-Werke, the German steel and engineering company, is planning to pay a dividend for the current year after resuming payouts for the first time since 1974-75 with a DM5 dividend for 1989-90.

But indicating a partial setback to hopes of a smooth recovery from persistent problems over the past decade, last year's operating profits fell to DM290m ($190.8m) from DM425m in 1988/89.

The 1988/89 earnings were used to clean up balance sheet problems left over from the 1970s steel crisis and the bankruptcy of its Maxhütte works in Bavaria.

In a statement vague on details, Klöckner-Werke said group orders were "high" with the exception of business with eastern Europe. Steel earnings were firming after a sharp fall in the fourth quarter last year, while engineering and plastics business was stable.

Klöckner-Werke said it would be able to add to reserves on results for 1990/91.

Commenting on last year's results, it indicated flat earnings in steel and said engineering activities did not match the successful performance of the previous year because of the collapse in business in eastern Europe. Activities in plastics however lived up to the previous year's results.

● Babcock-Borsig, a unit of engineering group Deutsche Babcock, forecast higher earnings in 1990/91, Reuter reports.

Mr Joerg Schrill, management board chairman, said he expected to double the group's operating profit in the year ending September 30, from DM61m the previous year.

Borsig's turnover is expected to rise to DM1.4bn in 1990/91 from DM1.2bn, he said.

Deutsche Babcock has said it expects operating profit of between DM20 and DM30m in 1990/91, after a loss of DM85m in 1989-90.

Canadian banks hit by loan provisions

By Robert Gibbens in Montreal

TWO OF Canada's big chartered banks have reported slightly lower earnings for the first quarter of fiscal 1991, due mainly to higher loan loss provisions and heavy investment in technology and branch systems.

Bank of Montreal's net profit for the three months ended January 31 was C$139m (US$121m), or C$1.10 a share, against C$141m, or C$1.15 a year earlier. Assets rose to C$91bn, up from C$80bn a year earlier.

Loan losses for fiscal 1991 will be about C$270m, against C$169m last year. Non-performing loans at January 31 were C$1.03bn, up C$105m. Non-interest expense was up 8 per cent in the quarter due to heavy investment in the branch network.

Harris Bankcorp in the US earned C$26m, against C$28m, and Nesbitt Thomson, the investment dealer subsidiary, had earnings of C$2.6m against C$1.4m.

The bank has raised C$150m of new base capital with private placement of 10¼ per cent 10-year debentures.

Bank of Nova Scotia's first-quarter earnings were C$140.2m, or 63 cents a share, down from C$148m, or 71 cents, a year earlier. Non-performing loans at January 31 were C$1.3bn, up C$168m, and loan losses for all fiscal 1991 will be about C$300m against C$238m last year.

Non-interest expense was up because of heavy investment in technology. The bank's loans outstanding to Venezuela and Mexico have been upgraded.

Kinburn computer unit forecasts return to profit

By Robert Gibbens

SHL SYSTEMHOUSE, key computer integration and distribution arm of the troubled Canada-based Kinburn Group, will return to the black in the six months ending today, Mr Roderick Bryden, the retiring chairman, said.

He estimated profit would be about C$6.5m (US$5.64m), or 17 cents a share, on revenues of C$357m. This compares with an actual loss of C$30.9m, or 85 cents a share, on revenues of C$347m a year earlier.

Total orders are C$230m, up 16 per cent from last year.

The Kinburn high-tech group, caught by high interest rates, recession and overly fast expansion, defaulted on more than C$800m in loans last April.

Creditors include a banking group led by Royal Bank of Canada and BCE, the holding company for Bell Canada and Northern Telecom. BCE owns 12.4 per cent of Systemhouse and has written off C$224m in Kinburn loans.

Mr Bryden said BCE may well end up with control of Systemhouse. Both Systemhouse and another Kinburn subsidiary, Paperboard Industries, urgently need strong new owners.

Mr Bryden lost control of the Kinburn Group when the banks and BCE set up a restructuring programme.

PUBLIC WORKS LOAN BOARD RATES

Effective February 27

Years	Quota loans repaid by EIP†	At††	at maturity§	Non-quota loans A* repaid by EIP†	At††	at maturity§
1			11¾			12½
Over 1 up to 2	11½	11½	11	12½	12½	11¾
Over 2 up to 3	11¼	11⅛	10¾	12¼	12⅛	11½
Over 3 up to 4	10⅞	10⅞	10⅝	11⅞	11⅞	11⅜
Over 4 up to 5	10¾	10¾	10¾	11¾	11¾	11½
Over 5 up to 6	10¾	10⅝	10¾	11¼	11⅛	11¼
Over 6 up to 7	10⅝	10⅝	10⅞	11⅛	11⅛	11⅜
Over 7 up to 8	10⅝	10¾	11	11⅛	11¼	11½
Over 8 up to 9	10¾	10¾	11	11¼	11¼	11½
Over 9 up to 10	10¾	10⅞	11⅛	11¼	11⅜	11⅝
Over 10 up to 15	11	11⅛	11	11½	11⅝	11½
Over 15 up to 25	11⅛	11	10⅞	11⅝	11½	11⅜
Over 25	10⅞	10⅞	10⅞	11⅜	11⅜	11⅜

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INTERNATIONAL COMPANIES AND FINANCE

Fay, Richwhite registers NZ$7m after nine months

By Terry Hall in Wellington

FAY, RICHWHITE, the New Zealand merchant bank, yesterday reported net profits of NZ$6.63m (US$4.1m) for the nine months to December, against NZ$9.80m for the six months to September 1989.

However the directors said comparisons were inappropriate because of a change in year end date to June 30 from March 31, and the merger with Capital Markets, a listed company.

The result showed that Fay, Richwhite's investment in the Bank of New Zealand – reduced to 27 per cent following the latest government cash injection – had cut more than NZ$20m off profit.

The net holding cost of the BNZ investment was NZ$11.65m and extraordinary losses from the sale of BNZ shares as part of the reconstruction were $8.58m.

Because of a change in accounting policy, a NZ$145.9m reduction in the market value of Fay, Richwhite's BNZ shares is not shown in the balance sheet. That loss was based on a BNZ share price of 46 cents, but Fay, Richwhite says that when the interim accounts were prepared on February 20 the BNZ share price was 68 cents which would have resulted in a NZ$63.4m charge on the profit and loss account under the company's previous accounting policy.

Fay, Richwhite's revenue for the nine months was NZ$60.41m compared with NZ$22.64m for the six months to September 1989. No tax was paid in the latest period against NZ$800,000 last time.

Equity earnings added NZ$1.78m compared with NZ$2.63m for a profit before extraordinaries of NZ$15.20m against NZ$12.52m.

Mr Dave Richwhite, joint chief executive, said the merchant banking operation had met its income target projected at the time of the merger.

He said this was a very satisfactory result, generated from merchant banking income of just under NZ$50m.

Shareholders funds at December 31 stood at NZ$198.4m compared with NZ$355.6m, investment liabilities at NZ$309.40m against NZ$175m and total assets were NZ$720.4m compared with NZ$606m.

Haeco buys 29% of Australian engineer

By John Elliott in Hong Kong

HONG KONG Aircraft Engineering Company (Haeco), has bought 29.1 per cent of Asta Aircraft Services (Astaas), an Australian government owned company based in the State of Victoria, for an undisclosed sum.

Haeco, the aircraft maintenance operator controlled by the Swire Pacific group and its Cathay Pacific Airways subsidiary, has has been looking for an overseas acquisition to help ease capacity constraints at its base on Hong Kong's Kai Tak airport. It has suffered severe staff shortages as its engineers have joined the colony's brain drain, attracted by job prospects and foreign passports in Australia and elsewhere.

Last August Mr Peter Sutch, the chairman, blamed labour shortages and high wage costs for an 8 per cent drop in interim profits which fell to HK$138.1m (US$17.72m) in the first half of last year.

It considered bidding last year for the engineering arm of Dan-Air of the UK and was also looking at possible acquisitions in Canada. The Australian deal will enable it to accommodate its own engineers who want to obtain Australian passports.

Astaas was formed in 1988 and is being privatised as part of a new government policy. It works on Boeing 747 aircraft for carriers such as British Airways, Qantas, and All Nippon Airlines. Its workforce of 350 is expected to more than double as Haeco and Cathay bring in work.

AVI advances despite recession

By Philip Gawith in Johannesburg

ANGLOVAAL Industries (AVI), the industrial arm of Anglovaal, one of South Africa's leading mining houses, overcame recessionary conditions to record increased earnings in the six months to the end of December.

Turnover rose by 19 per cent to R3.66bn ($1.4bn). However operating profits were only 7 per cent higher at R331m. Attributable profit was 5 per cent up at R103.1m, equivalent to 363 cents per share up from 346 cents.

The directors said adverse economic conditions, particularly high interest rates, restricted consumer spending. Margins were tighter and group returns on both total assets and ordinary shareholders funds were lower.

Profit gains, particularly in the rubber division of Consol and in National Brands were offset by substantially reduced contributions from Grinaker Holdings and the Avtex textile business. Grinaker, whose activities are in construction and electronics, suffered from order delays and cuts. Irvin and Johnson, the frozen food business, maintained its contribution to earnings.

The directors observed that although recessionary conditions are expected to continue, earnings for the full year were anticipated at least to equal those of the previous year.

The group made numerous investments during the year which included a conditional agreement whereby National Brands buys the local business of Yardley of London with effect from April 2.

Negotiations are currently in progress which, if successful, will result in the group increasing its effective interest in Grinaker Holdings from 46.5 per cent to 51 per cent. When this transaction is complete AVI plans to transfer its entire Grinaker Holdings equity into direct ownership by AVI, thus allowing the present intermediate holding company, AvGrin Holdings, to be deregistered.

CIL seeks partner for Montana Wines group

By Terry Hall in Wellington

CORPORATE Investments (CIL), the New Zealand holding company, is seeking an international partner for its wholly owned subsidiary Montana Wines, the country's largest wine producer.

The company is offering a 40 per cent holding, but Mr Peter Masfen, chairman, has declined to say how much was wanted for the stake. He said the sale was not prompted by the need to pay off debt or raise capital, but to seek an international partner to assist with overseas marketing and export development over the next decade.

He said that CIL, a listed public company, felt it could not take Montana much further into the New Zealand market.

In the past CIL has formed joint ventures for its main subsidiaries with international companies. This includes one with Sumitomo and Nelson Pine Forests which operates the world's largest medium density fibreboard plant.

CS First Boston, the US merchant bank, has been appointed to handle the sale, which was expected to be finalised over the next four to six months.

He said overseas companies had sought a shareholding in the past, but CIL now thought the time was right. CIL wanted an equity partner rather than an agency to sell its products overseas, which are having considerable export successes, including Britain.

Montana is part of CIL's primary products division. In the last financial year it contributed NZ$14.8m of the group's NZ$45.8m in pre-tax earnings and accounted for NZ$159.5m of its NZ$529.5m assets.

Teva Pharmaceutical up by 16% to Shk38.2m net

By Hugh Carnegy in Jerusalem

TEVA Pharmaceutical Industries, the leading Israeli pharmaceutical group, yesterday reported a 16 per cent increase in net profits in 1990 to Shk38.2m ($19m) on sales up from Shk549.4m to Shk604.5m, thanks in large part to sharply improved performance by its then partially-owned US subsidiary TAG Pharmaceuticals.

Teva, which is listed on Nasdaq, the US screen-based trading system, announced that it had this week acquired 100 per cent ownership of TAG, purchasing for $24m the 50 per cent stake previously held by the US chemicals company W.R. Grace, also a senior Teva shareholder.

Teva and W.R. Grace jointly founded TAG in 1985.

Mr Eli Hurvitz, Teva's chief executive, said full ownership of TAG was designed to enhance Teva's US marketing and R&D operations.

Like most successful Israeli private sector companies, Teva has increasingly looked overseas to expand.

Last year Teva sales outside Israel accounted for 46 per cent of the group total, mainly in the US and Western Europe where it also has manufacturing plants.

This compared with a 43 per cent share in 1989.

The inflation-adjusted figures, published under Israeli accounting rules, showed overall sales up 10 per cent over 1989, while pre-tax profits rose 18 per cent to Shk230m.

The company, which also counts Mr Robert Maxwell, the British publisher, among its leading shareholders, said sales spurted in the fourth quarter after flat performances in the first three quarters, boosting the profit outturn. Mr Hurvitz said he expected this trend to continue into 1991, adding that so far the chief impact of the Gulf war had been some increase in domestic sales.

Most eyecatching, however, was the impact of TAG on a turnround in contributions from subsidiaries which converted a Shk113,000 loss in 1989 into a Shk2.1m profit in 1990.

Sumitomo Rubber raises pre-tax 8.4% to Y11.8bn

SUMITOMO Rubber Industries, the third-largest automobile tyremaker in Japan, yesterday posted an 8.4 per cent increase in unconsolidated pre-tax profits in 1990 to Y11.75bn ($90m), AP-DJ reports from Tokyo.

Net profits grew 22.6 per cent to Y5.54bn.

Earnings per share rose to Y35.40 from Y31.60. The company decided to pay an annual dividend of Y9 per share, up from Y8.

Sales increased to a record high, improving 6.2 per cent to Y244.77bn.

All three divisions of the company posted record sales levels in the reporting period. Sales in the car tyre division gained 4.1 per cent to Y161.4bn, reflecting car production growth during the year.

Sales of the sporting goods division totalled Y65.4bn, up 8.8 per cent, thanks to strong sales of golf balls and golf clubs. The ocean, industrial and building materials division posted a 16.9 per cent rise to Y18.0bn, supported by demand for items such as artificial grass courts.

Sumitomo Rubber said it was concerned with the continued impact of the Gulf war on its performance in 1991, in higher material costs. The company expected its unconsolidated pre-tax profits would total Y11.0bn in 1991. It forecast net profits of Y5.0bn and sales of Y255.0bn in 1991.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1989							
3rd qtr.	110.5	119.3	34.1	121.8	134.5	1,725	219.8
4th qtr.	110.2	118.9	33.4	122.4	162.5	1,662	206.3
December	110.5	119.3	33.4	123.4	186.5	1,636	197.9
1990							
1st qtr.	109.9	119.5	34.2	122.9	135.1	1,612	190.8
2nd qtr.	111.9	120.7	36.9	123.6	149.4	1,612	183.5
3rd qtr.	108.4	118.8	35.6	122.6	144.6	1,653	166.3
4th qtr.	106.7	115.1	33.1	121.4	171.5	1,770	134.6
January	109.8	118.9	34.8	122.1	134.2	1,618	200.7
February	109.3	118.9	36.9	124.3	129.9	1,614	189.9
March	111.0	120.5	34.2	122.6	136.1	1,607	186.2
April	111.6	121.0	35.3	123.7	144.0	1,607	180.8
May	110.7	120.5	35.4	124.4	144.8	1,601	183.2
June	113.3	120.3	35.9	122.9	141.3	1,618	185.4
July	109.0	119.6	36.0	123.9	146.5	1,632	172.4
August	108.1	118.5	36.3	121.9	143.4	1,655	167.9
September	108.1	117.5	35.0	122.6	143.6	1,670	159.2
October	107.9	116.1	34.7	121.2	148.8	1,705	149.6
November	106.3	114.4	33.9	120.5	161.1	1,763	132.4
December	105.9	114.6	35.1	122.4	205.7	1,842	120.7
1991							
January				120.9	131.6	1,959	105.3

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1989							
3rd qtr.	114.8	122.0	104.8	121.2	123.5	97.2	15.3
4th qtr	114.1	120.9	106.0	120.0	122.8	97.1	12.6
December	114.9	121.9	104.6	121.6	122.9	96.0	8.8
1990							
1st qtr.	115.1	122.1	103.5	121.1	119.8	98.9	14.9
2nd qtr.	115.7	124.9	105.8	122.9	122.4	97.2	14.5
3rd qtr.	114.4	120.7	101.8	119.6	124.5	95.1	12.6
4th qtr	112.4	115.4	100.5	115.8	117.9	93.7	11.1
January	116.0	121.8	103.1	120.6	117.8	98.9	14.2
February	114.4	121.7	102.8	120.6	117.8	98.6	12.5
March	116.1	122.9	104.6	123.0	126.0	98.8	18.6
April	116.7	125.0	105.1	123.0	123.0	97.0	15.6
May	115.2	125.9	103.5	124.0	124.9	97.0	14.7
June	115.3	123.8	105.8	122.0	129.9	97.9	13.7
July	114.3	123.3	101.9	122.8	128.0	95.0	13.9
August	114.4	121.1	100.9	119.6	118.6	96.0	13.3
September	114.4	117.7	102.1	118.6	127.8	94.0	12.6
October	115.1	116.1	101.9	117.8	112.8	95.0	13.2
November	112.4	113.9	101.0	114.0	120.9	93.0	12.9
December	112.6	116.1	99.6	115.8	122.0	93.8	8.2

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1989							
3rd qtr.	117.6	142.5	-6,424	-6,046	+374	97.8	[illegible]
4th qtr.	123.8	138.7	-4,754	-4,243	+510	98.9	[illegible]
December	129.9	134.0	-987	-797	+188	98.3	[illegible]
1990							
1st qtr.	124.8	148.5	-5,906	-4,884	+369	97.4	[illegible]
2nd qtr.	128.6	148.4	-6,264	-6,018	+434	97.8	[illegible]
3rd qtr.	123.7	142.0	-3,748	-3,468	+445	101.8	[illegible]
4th qtr.	125.6	138.9	-2,974	-2,974	+314	101.8	[illegible]
January	125.7	150.1	-2,103	-1,663	+133	97.4	[illegible]
February	124.4	140.2	-1,536	-1,080	+106	97.4	[illegible]
March	125.2	152.6	-2,272	-1,832	+142	98.6	[illegible]
April	127.2	151.4	-2,113	-2,024	+174	97.7	[illegible]
May	128.6	145.6	-1,510	-1,422	+108	97.5	[illegible]
June	125.5	144.1	-1,661	-1,572	+152	97.8	[illegible]
July	118.8	145.2	-1,799	-1,796	-5	98.8	[illegible]
August	124.2	141.8	-1,257	-1,183	+176	102.1	[illegible]
September	128.1	139.1	-692	-599	+274	103.7	[illegible]
October	128.4	142.7	-1,115	-1,115	+77	102.1	[illegible]
November	128.8	140.3	-1,004	-1,094	+118	102.5	[illegible]
December	124.3	133.6	-855	-855	+119	99.9	[illegible]
1991							
January	121.3	141.6	-1,228	-1,228	-109	100.7	[illegible]

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmer. credit† £m	Base rate %
1989							
3rd qtr.	5.3	19.2	17.1	+24,921	2,285	+729	[illegible]
4th qtr.	5.6	18.2	17.9	+22,822	1,657	+266	[illegible]
December	6.6	19.0	18.4	+8,325	176	-2	[illegible]
1990							
1st qtr.	6.8	8.8	18.3	+21,285	1,115	+911	[illegible]
2nd qtr.	7.9	8.4	17.7	+17,394	2,285	+721	[illegible]
3rd qtr.	5.0	7.9	16.1	+14,551	1,942	+686	[illegible]
4th qtr.	3.3	7.5	13.7	+16,888	1,219	+712	[illegible]
January	5.7	9.5	18.6	+8,744	369	+482	[illegible]
February	6.4	8.4	18.3	+5,480	383	+279	[illegible]
March	5.9	8.6	18.0	+7,099	383	+141	[illegible]
April	7.8	8.7	18.8	+4,896	786	+159	[illegible]
May	7.9	8.0	17.6	+6,722	709	+322	[illegible]
June	6.3	8.4	17.4	+5,777	509	+249	[illegible]
July	5.6	8.6	17.1	+5,090	563	+158	[illegible]
August	4.8	7.8	16.2	+5,373	522	+295	[illegible]
September	4.7	7.4	15.8	+4,175	666	+331	[illegible]
October	4.0	7.4	14.3	+8,749	592	+242	[illegible]
November	3.1	7.2	14.4	+7,469	-308	+225	[illegible]
December	2.7	7.9	12.3	+2,357	626	+141	[illegible]
1991							
January					594		[illegible]

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931=100); trade weighted value of sterling (1985=100).

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1989							
3rd qtr.	109.6	103.1	119.7	116.0	116.7	1,912	[illegible]
4th qtr.	112.6	106.8	121.2	118.3	113.5	1,842	[illegible]
December	113.5	107.7	121.6	118.8	114.9	1,832	[illegible]
1990							
1st qtr.	116.0	105.7	123.1	120.4	118.5	1,838	[illegible]
2nd qtr.	118.6	103.5	125.7	126.0	119.8	1,804	[illegible]
3rd qtr.	120.7	102.4	125.4	128.1	119.7	1,800	[illegible]
4th qtr.	123.5	103.6	128.3	130.1	121.3	1,721	[illegible]
January	115.1	107.4	122.5	119.5	118.8	1,800	[illegible]
February	113.6	104.6	122.8	120.2	117.6	1,766	[illegible]
March	117.3	105.1	123.6	121.4	117.7	1,866	[illegible]
April	117.4	104.7	125.1	125.1	118.8	1,880	[illegible]
May	118.7	103.6	125.8	126.2	122.1	1,822	[illegible]
June	119.8	102.1	126.1	126.7	120.0	1,869	[illegible]
July	118.9	101.1	126.4	126.8	118.8	1,835	[illegible]
August	120.7	101.9	126.9	128.1	120.0	1,782	[illegible]
September	121.5	104.1	127.2	129.3	120.7	1,801	[illegible]
October	122.3	103.4	127.9	130.3	120.4	1,757	[illegible]
November	123.3	103.0	128.4	130.0	121.3	1,769	[illegible]
December	125.0	104.6	128.7	129.9	122.1	1,716	[illegible]
1991							
January		104.9	129.2	130.2	122.9	1,686	[illegible]

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

INTERNATIONAL CAPITAL MARKETS

Treasuries falter as hopes for a Fed rate cut fade

By Patrick Harverson in New York and Tracy Corrigan in London

US Treasury prices edged lower in thin trading yesterday morning following revised fourth-quarter gross national product data that was slightly stronger than expected.

By midday the benchmark 30-year government bond was down ⅛ at 96¹¹⁄₃₂, to yield 8.141 per cent. There was similar weakness at the short end of the market, with the two-year note ¹⁄₃₂ lower at 99½, yielding 7.005 per cent.

The figures released by the Commerce Department in the morning showed that revised GNP, adjusted for inflation, fell 2 per cent in the last three months of 1990. Originally, GNP was estimated to have fallen 2.1 per cent during the period.

Some analysts had predicted a downward revision in the GNP total and the revised figure revived concern in the market that the Federal Reserve may refrain from a further cut in interest rates, certainly until the next unemployment statistics are known.

In the past few days, dealers with long positions have been marking prices down in the hope of off-loading stock before the February jobs data are released on Friday week.

For the first time in several days the Fed did not intervene in the credit markets, apparently satisfied with the Fed funds rate.

Yesterday morning Fed funds eased slightly from 6¼ per cent to 6³⁄₁₆ per cent by midday.

■ THE UK gilts market was uninspired by a further ½ per cent base rate cut to 13 per cent, which had been largely discounted. Indeed, analysts said that current yield levels may prove hard to maintain unless more rate cuts materialise. A further cut is now widely predicted to coincide with next month's budget, but it will "not do very much for the gilts market," according to Mr John Sheppherd, an economist at SG Warburg.

Long-dated gilts ended unchanged while short-dated stock prices gained about ¼ point, with the money market proving the major beneficiary of the the interest rate cut.

The gilt yield curve is likely to remain flat, though the longer end of the yield curve could be vulnerable, especially if subjected to the strain of further UK government issuance. Three and four-year yields are currently just over 10 per cent, and will need continued rate cuts to maintain that level, analysts said. In the meantime, the market appeared to be range-bound.

The long gilt future contract on the London International Financial Futures Exchange ended virtually unchanged at 92⅞, in the middle of the day's trading range.

■ JAPANESE government bonds lost further ground, with the benchmark no. 129 issue ending in London at its low for the day of 6.4 per cent. However, there is good support for the bonds around this level, where the issue price falls under par.

Dealers reported moderate demand for the Japanese government's new no. 138 issue, terms of which emerged yesterday. The Y800bn carries a 6.4 per cent coupon and matures in March 2001.

■ PRICES in the German Bund market slipped, as traders focused on concern about rising inflation and a weaker US market. The Bund futures contract on Liffe ended at 85.45, down 0.10 point.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/02	103-31	+05/32	10.67	10.68	11.40
		8.000	03/00	94-01	-04/32	10.02	9.92	10.24
		9.000	10/08	93-18	-07/32	9.76	9.70	9.95
US TREASURY *		7.750	02/01	98-11	-07/32	7.99	7.83	8.06
		7.875	02/21	96-25	-09/32	8.16	8.02	8.24
JAPAN	No 119	4.800	6/99	89.4241	-0.380	6.79	6.64	6.82
	No 129	6.400	03/00	99.9427	-0.316	6.41	6.30	6.56
GERMANY		9.000	01/01	104.2500	-0.050	8.34	8.31	8.74
FRANCE	BTAN	9.000	02/96	98.9614	+0.114	9.26	9.25	9.92
	OAT	9.500	01/01	102.8800	+0.090	9.04	9.01	9.58
CANADA *		9.750	06/01	100.8750	-0.325	9.61	9.48	10.02
NETHERLANDS		8.500	03/01	99.2000	-0.250	8.62	8.51	8.89
AUSTRALIA		13.000	07/00	108.2008	-0.301	11.64	11.41	11.63
BELGIUM		10.000	08/00	104.4500	-0.100	9.25	8.95	9.44

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Canadian initiative on pension fund investment

By Bernard Simon in Ottawa

Michael Wilson: proposed carrot-and-stick initiative

THE CANADIAN Government is proposing a controversial system of tax credits and levies to encourage pension funds to invest a larger slice of their assets in equities, rather than debt securities.

Pointing out that pension funds in Canada invest a smaller proportion of their assets in equities than their US and British counterparts, finance minister Mr Michael Wilson put forward the carrot-and-stick initiative as part of a budget package to improve Canadian business competitiveness.

According to the budget's background papers the relatively low involvement of pension funds in equity markets may be forcing an unhealthy dependence on debt by some Canadian companies.

The pension industry, with assets of more than C$190bn, has reacted angrily to the proposal. Mr Ian McKinnon, director of McGill University's pension fund in Montreal, described it as "hare-brained."

Noting that Canadian stock markets are heavily weighted towards resource industries and comprise only about 3 per cent of the world stock market capitalisation, Mr McKinnon said that "it's simply not prudent to put more of your investment into that one sector".

Ottawa has promised to consult pension funds and the investment community at large before it implements the proposed changes. It expects to publish a technical discussion paper within the next few months.

The system proposed for pension funds would be a variation of existing measures – such as a dividend tax credit, capital gains exemption, and a tax deferral on accrued but unrealised gains – which encourage individuals to invest in the stock market.

The credit would enhance the return on equity investments held by pension funds. Conversely, a levy on other investments would reduce the return on those assets. The budget papers propose that accumulated credits might offset levies due. The measures would not apply to small pension funds.

An irony of the proposal is that last year's budget included a relaxation of the ceiling on pension fund holdings of foreign assets. The limit is being gradually raised from 10 to 20 per cent of funds' assets.

Another recent effort by the authorities to regulate pension fund investment also met stiff resistance. Ottawa put a rule in place a few years ago which allowed the funds to expand their foreign investment by C$3 for every C$1 put into domestic small businesses.

Few funds used the concession, mainly because any disposal of a small business investment would also have forced the sale of foreign assets.

Portuguese bank in Es937bn issue

BANK of Portugal, seeking to mop up excess liquidity in the banking system, plans to issue soon Es937.7bn ($7bn) of Treasury bills and other financial instruments, Reuter reports.

A central bank official said the operation will complete the process begun last December to withdraw a total liquidity of over Es1,000bn. The issue follows an accord signed in November between the central bank and 22 Portuguese banks to absorb the amount.

Issue 'put back' to RJR

MORE than two-thirds of a $124m Swiss bond issue from RJR Nabisco, the US food giant which was subject of a $2.4bn leveraged buy-out by Kohlberg Kravis Roberts in 1988, has been "put back" to the company, writes Simon London.

Lead manager J. P. Morgan Switzerland said bonds with a face value of $84.8m had been put back. Bond holders received $2,790 per bond or 90 per cent of face value.

The 6 per cent bond issue maturing 1994 was made in 1986, several years before the buy-out. The issue was the focus of a bitter wrangle between the issuer and lead manager in 1989, when RJR Nabisco announced plans to formally merge with Kohlberg Kravis Roberts. Morgan tried to force the issuer to call the bonds on the grounds that the merger plans contained inadequate protection for bondholders against event risk. A compromise was reached and the company later completed a $6.9bn refinancing package.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:05 pm on February 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅛	101⅞		8.11
ALBERTA PROVINCE 9 3/8 95	600	103⅞	104⅛	-⅛	8.32
AUSTRIA 8 1/2 00	400	99⅛	99½	-½	8.64
BANK OF TOKYO 8 3/8 96	100	98⅝	99⅛	-⅛	8.71
BELGIUM 9 1/8 92	400	101⅞	102⅛	-⅛	7.74
BFCE 7 3/4 97	150	97⅝	98	-⅛	8.26
BNP 8 5/8 94	300	101½	101⅞		8.08
BP CAPITAL 9 5/8 93	150	102⅞	103⅛	+⅛	7.98
CANADA 9 96	1000	103⅞	104	-⅛	8.06
CARCO 9 1/4 96	650	97⅞	98⅞	-⅛	9.74
CCCE 9 1/4 95	300	103⅞	104⅛	-⅛	8.08
COUNCIL EUROPE 8 96	100	98⅝	99⅛		8.28
CREDIT FONCIER 9 1/2 99	300	105	105⅛	-⅛	8.61
DENMARK 0 98	250	54½	55		8.50
DENMARK 8 1/4 94	150	100½	100⅞	-⅛	8.05
ECSC 8 1/4 96	193	99⅞	100⅛	-⅛	8.27
EEC 7 1/4 93	250	99⅞	99⅞	-⅛	7.59
EIB 7 3/4 96	250	98⅛	98⅝	-⅛	8.15
EIB 9 1/4 97	600	103⅛	103⅞	-⅛	8.53
ELEC DE FRANCE 9 98	200	102⅞	103⅛	-⅛	8.46
EUROFIMA 9 1/4 96	100	103	103⅜	-⅛	8.49
EXPORT DEV CORP 9 1/2 98	150	105	105⅛	-⅛	8.54
FINLAND 7 7/8 97	200	96⅞	97½	+⅛	8.56
FINNISH EXPORT 9 3/8 95	200	103⅞	104⅛	-⅛	8.38
FORD MOTOR CREDIT 9 1/2 93	300	101	101½	-⅛	9.02
GEN ELEC CAPITAL 9 3/8 96	300	104⅛	104⅞	-⅛	8.33
GMAC 9 1/8 96	200	99⅞	100⅛	-⅛	9.15
HALIFAX 9 1/2 93	200	102⅝	103⅛		8.17
IBM WORLD TRADE 7 5/8 93	150	98	98⅛	-⅛	8.45
IND BK JAPAN FIN 7 7/8 97	200	95⅞	96⅛	-⅛	8.76
INTER AMER DEV 7 5/8 96	200	96⅞	97⅛	-⅛	8.33
ITALY 8 1/2 94	1500	101⅛	101½	-⅛	8.03
JAPAN DEV BK 8 94	150	100⅛	100⅞	-⅛	7.84
KANSAI ELEC PWR 10 96	350	104⅛	105	-⅛	8.86
LTCB 8 5/8 93	150	100⅞	101⅛	-⅛	8.27
NEW ZEALAND 8 93	100	100	100½	+⅛	7.97
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅞	-⅛	8.33
NIPPON TEL & TEL 9 3/8 95	200	103½	104	-⅛	8.31
NORDIC INV BANK 9 93	200	102⅜	102⅞	-⅛	7.82
ONTARIO HYDRO 11 5/8 94	200	107⅞	108½	-1	8.53
OSTER KONTROLLBANK 8 1/8 93	200	100⅞	101⅛	-⅛	7.64
PETRO-CANADA 7 1/4 96	200	95⅛	96	+⅛	8.34
PRUDENTIAL RLTY SECS 0 99	365.216	50	50½		9.19
QUEBEC HYDRO 9 3/4 98	150	104	104½	-⅛	8.98
[illegible]	200	101½	102⅛		8.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	92⅛	93⅛	+⅛	9.76
KREDIETCORP 7 93 LFr	1000	94⅛	95⅛	+⅛	9.71
WORLD BANK 8 96 LFr	1000	94⅛	95⅛	-⅛	9.45
AMRO BANK 6 1/4 92 Fl	150	94⅞	95⅛		10.13
RABOBANK 5 3/4 93 Fl	150	92⅛	93⅛		10.13
ALBERTA PROVINCE 10 92 C$	500	99⅛	100		10.11
BCE INC 9 5/8 93 C$	300	98½	99	+⅛	10.39
BELL CANADA 10 5/8 99 C$	150	100⅝	101⅛		10.49
BRITISH COLUMBIA 9 1/4 93 C$	150	98⅛	98⅞		10.25
EIB 10 1/8 98 C$	130	100⅛	101		10.04
FORD CREDIT CANADA 10 94 C$	100	97⅞	98⅛		10.77
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅞	101⅛		9.80
MONTREAL TRUSTCO 8 1/2 92 C$	100	97½	98⅛		10.78
ONTARIO HYDRO 10 7/8 99 C$	500	101⅞	102⅛	-⅛	10.51
QUEBEC PROV 10 1/2 98 C$	200	100⅛	100⅞	+⅛	10.41
ROYAL TRUSTCO 10 1/4 93 C$	100	98⅛	99		10.98
SWEDEN 9 3/4 93 C$	250	99⅞	100⅛		9.84
BELGIUM 9 1/8 96 Ecu	1250	99⅞	99⅞	-⅛	9.22
CNT 7 3/8 93 Ecu	250	94⅛	96⅛	+⅛	9.96
CREDIT LYONNAIS 9 96 Ecu	125	94⅞	96⅛	-1⅛	10.30
DENMARK 7 5/8 96 Ecu	250	88⅞	90⅛	-2⅛	10.55
EEC 7 5/8 94 Ecu	200	96	96½	+⅛	9.21
EIB 10 97 Ecu	1125	103⅛	103⅞	-⅛	9.18
ITALY 10 3/4 00 Ecu	1000	108⅛	108½	-⅛	9.34
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅛	99⅞	-⅛	9.16
BMW FINANCE 14 1/2 92 A$	100	102⅛	102⅞	+⅛	12.30
COUNCIL EUROPE 13 93 A$	50	101	102		12.40
EKSPORTFINANS 12 3/8 95 A$	75	102⅝	102⅞	-⅛	11.60
FORD CRED AUST 13 93 A$	50	100⅛	101	+⅛	12.69
ICI 15 1/2 92 A$	100	103⅛	104		12.40
MCDONALDS CANADA 15 95 A$	100	107⅞	108	+⅛	12.63
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106	106½	+⅛	12.21
STATE BK NSW 14 1/4 99 A$	100	107⅛	107⅞		12.77
VOLKSWAGEN INTL 15 94 A$	100	106⅛	106⅝	+⅛	12.48
ABBEY NATL TREAS 13 3/8 95 £	100	106⅛	106⅞	+⅛	11.27
BARCLAYS JERSEY 9 1/2 93 £	250	96⅛	96⅝	+⅛	11.65
BRITISH GAS 12 3/4 95 £	150	105½	105⅞		10.96
DEUTSCHE BK FIN 11 94 £	225	100⅛	100⅛	+⅛	10.92
EIB 10 97 £	300	97⅛	97⅞	+⅛	10.64
FORD CREDIT FUNDING 9 5/8 93 £	50	94⅛	95⅛		12.62
INTER AMER DEV 11 3/8 95 £	75	102	102½	+⅛	10.73
ITALY 10 1/2 14 £	400	94⅞	95⅛		11.11
LAND SECS 9 1/2 07 £	200	81⅛	81⅞	-⅛	12.20
LEEDS PERMANENT 9 1/4 99 £	50	94⅞	95½		11.92
NORWAY 10 1/2 94 £	200	99⅛	99⅞	+⅛	10.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, YEN STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS: [illegible]

YEN STRAIGHTS (end)	Issued	Bid	Offer	Chg. day	Yield
CREDIT FONCIER 5 1/4 94	40000	101½	101⅞		6.55
DENMARK 7 95	40000	94⅛	94⅞	-⅛	6.63
EIB 4 5/8 94	35000	97⅛	97⅞		7.13
GENERAL ELECTRIC 5 3/4 93	30000	103⅛	104⅛	-⅛	6.69
INTER AMER DEV 7 1/4 00	150000	98⅞	99⅛		6.98
ITALY 5 3/4 92	60000	94	94⅛	-⅛	6.78
KANSAI ELEC PWR 4 5/8 99	50000	97	97⅛	-⅛	6.52
NIPPON TEL & TEL 5 7/8 96	50000	95⅛	95⅞	+⅛	6.51
NORWAY 5 1/8 95	20000	96⅛	96⅝		6.62
SWEDEN 5 5/8 95	50000	101	101⅛	-⅛	6.60
WORLD BANK 6 3/4 00	[illegible]				

CONVERTIBLE BONDS (end)	Cnv. date	Cnv. price	Bid	Offer	Prem.
INTL PAPER 5 3/4 02	200	60½	97⅞	98⅞	+11.05
LAND SECS 6 3/4 02 £	84	6.72	89⅛	90⅛	+9.49
MITSUBISHI BK 1 3/4 02	300	2727.1	97⅛	99⅛	-4.18
OGDEN 6 02	85	39.077	75½	76½	+32.38
PACIFIC DUNLOP 6 3/4 97	75	3.749	111½	112½	-2.61
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	81⅛	82⅛	+64.74
THORN EMI 5 3/4 04 £	103	7.45	110½	111½	+18.96

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

London Fox to launch property futures market

By Vanessa Houlder, Property Correspondent

LONDON Fox, the futures and options exchange, is set to launch a property futures market on May 9.

The market aims to provide a new way of speculating and managing risk in the property industry. Its potential extends to institutions wanting to adjust weightings of properties in illiquid markets, to developers wanting to reduce the risk of projects and to traders wanting to speculate on market moves.

The four contracts being launched are commercial property capital values, commercial property rental values, residential property and mortgage interest rates.

Fox will base its contracts on the Nationwide Anglia index of residential property values and the Investment Property Databanks' monthly indices. The futures contracts will use Fox's electronic trading system, which already runs white sugar, raw sugar, rice and rubber.

INTERNATIONAL CAPITAL MARKETS

Liffe launches Euro-index contract

By Tracey Corrigan

THE LONDON International Financial Futures Exchange (Liffe) yesterday announced plans to launch the first futures contract on a European share index.

The FT-SE Eurotrack 100 index futures contract will start trading on June 26, and will be followed by an index option on the London Traded Options Market (LTOM). Liffe and LTOM, which jointly developed the contracts, are in the process of merging.

The Eurotrack 100 index, comprising the top 100 continental European and Irish shares, closely correlates to larger benchmarks such as the FT-Actuaries World Indices and Morgan Stanley Capital International. The UK, the largest constituent of the Eurotrack 200 index, is not included in the Eurotrack 100.

The new futures contract will be denominated in D-Marks, and valued at DM100 per index point. German shares constitute 25 per cent of the 100 index, the highest country weighting.

The contract could suffer from a lack of liquidity, partly because many of the underlying shares are not very actively traded. The product is unlikely to attract arbitrage traders, whose growing involvement in the FT-SE UK stock index future helped boost its liquidity.

Further, because of the fixed country weightings of the index, it is not an efficient hedging tool for many fund managers or traders.

The contract is expected to involve some basis risk, at least at the outset – that is, the contract price may not always accurately reflect the underlying share values.

"It will be useful primarily for the asset allocator, rather than for the regional fund manager," said Mr Tim Breedon, an associate director at Legal & General Investments. For asset allocation purposes, the contract can be used to add or subtract exposure to Europe, without a fund manager having to sell particular shares.

Liffe has not yet decided whether to appoint market makers or designated brokers, who could help ensure some liquidity. Although volume in the new contract could be slow to take off, it is something of a coup for Liffe to get the first European share contract off the ground, beating off competitors such as the Matif in Paris and the European Options Exchange in Amsterdam.

"Noone likes to get there second," admitted Ms Victoria Ward, director of product development at Liffe. Mr Michael Jenkins, chief executive officer of Liffe, said 1,000 to 2,000 initial daily volume would be considered a reasonable start.

The Chicago Board Options Exchange, which has a largely retail constituency, has applied to list options on the FT-SE Eurotrack 100 and 200 indices, and also on the FT-SE 100 index, the main UK stock market index.

Canadian dollar sector attracts borrowers

By Simon London

THE Canadian dollar sector of the international bond market continued to attract borrowers yesterday, with three deals raising a total of C$350m.

INTERNATIONAL BONDS

The sector has offered borrowers rare currency and interest rate swaps opportunities for the past fortnight, in addition to which about C$1bn of outstanding paper will be redeemed next month. Yesterday's flurry of activity was prompted by a favourable budget statement from the Canadian government.

Toyota Motor Credit Corporation and Nationale Nederlanden, the biggest Dutch insurance group, both came at the three-year maturity. Lead managed by Bankers Trust International, the NatNed deal offers a marginally higher yield spread of 50 basis points over the 9¼ per cent government issue maturing 1994. The TMCC paper offers a spread of 48 basis points, lead managed by Wood Gundy.

Swedish Export Credit came at the five-year maturity, offering C$100m of bonds at 51 basis points over comparable government stock in a deal lead managed by Hambros.

Supply of Eurodollar bonds continued. General Electric Capital Corporation and Eksportfinans raising a total of $450m. GECC launched a $250m 7-year deal, lead managed by Kidder Peabody. The paper carries a 8⅝ per cent coupon and was priced to yield 67 basis points over US government stock.

Some firms declined to participate in the deal, either because they regarded full fees of 30 basis points as inadequate or because they saw no demand for dollar-denominated paper at this maturity. However, those taking part reported a smooth placement of the bonds.

Syndicate managers report that the recent positive tone of the market has softened this week, with investors once again showing more interest in the shorter maturities.

To meet this demand, Eksportfinans came further down the yield curve, offering $200m of four-year paper at a spread of 55 basis points over treasuries. Lead managed by Credit Suisse First Boston, the deal offers investors rare supply of four-year paper with a coupon set to reflect lower dollar interest rates. Most outstanding paper at the four-year maturity carries a high coupon and trades well above par.

The European Community's Ecu500m seven-year deal launched on Tuesday via Dresdner Bank was freed to trade yesterday and immediately fell outside fees. Late yesterday afternoon the issue was quoted by the lead manager at 99.85 bid, against a launch price of 100.85 and full fees of 30 basis points.

At this level the deal yields around 5 basis points more than comparable French government OATs, having been launched at a spread of more than 10 basis points under OATs.

● Maxwell Communication Corporation has mandated Bankers Trust International to buy back an undisclosed amount of its three outstanding bond issues in the open market. BTI will make individual bids to holders of the Maxwell's Ecu75m 8⅝ per cent bonds maturing 1993, DM150m 6 per cent bonds maturing 1993 and SFr150m 5 per cent bonds maturing 1995.

The three issues are rarely traded in the secondary market and BTI said that the price of its bid would be decided in negotiation with bond holders.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Gen.Elec.Cap.Corp.(a)†	250	8⅝	99.80	1998	30/20bp	Kidder Peabody Int.
Eksportfinans AS(a)†	200	8⅛	101.22	1995	1⅝/1½	CSFB
Kolon Industries Inc.(b)§†	28½	4	100	2005	2½	J Henry Schroder Wagg
CANADIAN DOLLARS						
Nat.Nederlanden US Hldgs(a)†	125	10⅞	101.60	1994	1⅞/1.275	Bankers Trust Int.
Toyota Motor Cr.Corp(a)†	125	10¾	101.34	1994	1⅞/1.275	Wood Gundy Inc.
Swedish Exp.Cr.Corp(a)†	100	10¼	101.70	1996	1⅞/1¼	Hambros Bank
YEN						
Kobe Steel Ltd(a)†	50bn	7.10	101¾	1998	1⅞/1.650	Nomura Int.
Sumitomo Realty & Devt.(a)†	30bn	7.20	101⅛	1995	1⅝/1⅛	Daiwa Europe
SWISS FRANCS						
Anam Ind.of Korea(c)★★§†	50	6	100	1996	-	SBC

★★Private placement. §Convertible. ♦With equity warrants. †Final Terms. a) Non-callable. b) Amount increased from $25mn. Coupon was indicated at 4%-5%. Put option 31/12/95, to yield 8¼%. Conversion premium fixed at 15%. c) Amount increased from SFr45mn. Put option 31/12/93 at 110½% to yield 9.428%. Callable 31/12/93 at 110½%, 31/12/94 at 102%, and 31/12/95 at 101%. Conversion premium fixed at 15%.

AIBD opposes plan to amend EC directive

By Simon London

THE Association of International Bond Dealers is fighting proposed additions to the European Community draft Investment Services Directive which it believes could have a considerable adverse impact on the international bond market.

In a letter to members, the AIBD, the self-regulatory authority of the international bond market, pointed to two proposed amendments to the directive which it said would be damaging:

● An option allowing member states to require trading of securities listed in that country to take place on a 'regulated market'.

● A proposal to increase the level of transaction reporting required of firms dealing in securities.

The AIBD would not count as a regulated market under the proposed definition because it does not have formal listing requirements. The London International Stock Exchange's SEAQ International quotation system for equities would be excluded for the same reason.

The proposed date for implementation of the directive is January 1, 1993.

In the letter, Mr John Langton, AIBD chief executive, and Mr Thomas Hunziker, counsel to the AIBD, said the proposals "conflict directly with the international, self-regulatory nature of the market." He said the proposals would drive securities trading back on to national markets. This is contrary to the stated aim of the directive to open up investment services within the European Community, he added.

He said the introduction of listing requirements by the AIBD in parallel with national markets would offer no advantages to market participants.

The AIBD has sought to have international securities excluded from the regulated market areas of the directive and has sought clarification of the suggested increased reporting requirements. The draft directive is currently before the European Commission, but member states are split over its final form.

Treasury follows the road to securities development

Haig Simonian on Italian borrowing ambitions

Despite passing three milestones in rapid succession, the Italian treasury still has some way to travel before it reaches its ultimate destination of a fully developed domestic and international borrowing policy.

Last week in the space of three days, the treasury launched the first 20-year Ecu Eurobond and two new long-term lira issues, and in so doing significantly extended the maturity of domestic government paper.

While the Ecu 2.5bn deal extended by 10 years the previous record maturity for Ecu paper, it was the two domestic issues that marked most clearly the government's determination to extend the average life of state debt.

The L3,000bn ($2.6bn) 10-year fixed-rate deal came less than a year after Italy's first seven-year fixed-rate domestic bond issued last May. And to prove that attention was not solely focused on fixed-rate paper, the treasury also took the opportunity to launch a seven-year floating-rate deal, a two-year extension on the previous maximum term for such issues.

With maturities on almost all Italy's main domestic instruments now extended, dealers are expecting the next round of auctions in mid-March to bring a further innovation to complete the picture.

Thus maturities on floating-rate treasury certificates, which currently have a six-year span with a put option at the half-way stage, are expected to be pushed out to eight years, with the put now coming after the fourth year.

Extending maturities has long been the recommended strategy for reducing Italy's overall borrowing costs and facilitating the management of its massive debt. With the average maturity of domestic borrowings currently standing at just 2½ years, longer maturities will help lower servicing costs, which now account for the bulk of new debt issues.

Longer maturities will give the Italians more flexibility in timing future issues by making them less of a hostage to market conditions. Last week's 10-year deal signals a particularly important landmark in that process, as it also brings Italy's debt instruments closer into line with those in other major European economies.

Moreover, it establishes a benchmark issue, which could attract greater liquidity to the market. In time, it could also form the basis for a futures contract, either traded domestically or perhaps at the London International Financial Futures Exchange (Liffe), dealers said. The deal was given a warm welcome by the market and further tranches of 10-year paper are now widely expected.

Market gossip has it that the first series of 10-year bonds will probably be raised in stages up to a total of L8,000bn. But with only four seven-year issues, totalling L22,000bn, and now one 10-year deal made since the debut of longer-term fixed-rate bonds last May, it will be a while before such paper makes a dent on Italy's borrowing profile.

It has been estimated that total debt outstanding amounted to some L1,630,000bn at the end of 1990, mainly comprising short-term treasury bills. In 1991, the authorities have to roll over about 42 per cent of that total. However, the Italians still need to make a number of other innovations before their market can hope to reach the same status as that of the UK, France or Germany.

Withholding tax represents one of the biggest hurdles. The problem concerns both government bonds bought by foreign investors from countries which have double taxation agreements with Italy, and the Eurolira deposit market.

There have been bitter complaints by investors at Italy's unwillingness to repay withholding tax due to those covered by double taxation treaties. The sums involved are not known, but are thought to run to many billions of lire.

However, the treasury may be preparing repayment procedures. How much such steps will boost the market depends partly on the complexity of the measures introduced and whether they are retroactive. The tax on Eurodeposits may be even more important, since it is holding up other important developments, notably the launch of a futures contract on 90-day lira deposits.

Banks have become increasingly interested in Eurolira deposits in the past year, as shown by the increased liquidity in the market and the growth of lira swaps and forward rate agreements. Attention has also been bolstered by the introduction of a daily London fixing. Liffe is known to be considering a futures contract on three-month lira Euro-deposits. However, the exchange has been concerned about adequate liquidity, a worry that could be eliminated should the tax be dropped.

Some think a decision on abolishing the withholding tax on lira Eurodeposits is also at hand, and may even have been written into last December's budget package, only to be removed at the last minute. Such disappointments show the continuing frustrations that face Italian bankers, despite the substantial progress that has been made.

Government bonds outstanding

L 953,462 billion

CCT (Treasury Credit Certificates)

BOT (Treasury Bills)

BTP (Treasury Bonds)

Source: Prime Research

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Wed Feb 27 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Feb 26 Index No.	Mon Feb 25 Index No.	Fri Feb 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	823.83	+1.4	13.07	5.84	9.32	0.85	812.35	813.36	804.19	849.61
2	Building Materials (24)	1132.98	+1.5	12.58	5.38	9.78	0.55	1116.50	1124.57	1106.03	1030.87
3	Contracting, Construction (31)	1308.93	+2.0	13.72	5.97	9.46	3.90	1283.69	1274.03	1252.47	1415.77
4	Electricals (10)	2250.46	+1.1	12.55	5.93	9.75	0.80	2225.39	2195.28	2181.16	2369.00
5	Electronics (26)	1752.71	-0.1	9.00	5.09	14.77	1.55	1755.02	1775.23	1769.52	1874.59
6	Engineering-Aerospace (8)	431.74	+4.3	16.95	5.77	7.11	0.86	414.10	411.58	411.77	422.36
7	Engineering-General (47)	415.98	+1.2	14.24	6.21	8.45	1.15	411.23	408.34	402.86	460.17
8	Metals and Metal Forming (8)	449.13	+0.7	20.31	7.66	6.08	0.00	446.13	446.32	441.98	467.13
9	Motors (13)	324.08	+1.5	15.37	7.42	7.58	0.00	319.28	325.44	323.25	350.87
10	Other Industrial Materials (20)	1446.82	+1.5	11.65	5.62	9.92	0.71	1425.04	1422.77	1403.23	1535.67
21	CONSUMER GROUP (182)	1335.49	+0.4	9.04	3.91	13.74	3.44	1330.40	1337.93	1323.33	1229.19
22	Brewers and Distillers (22)	1684.55	+1.1	9.52	3.71	12.95	7.47	1666.41	1674.32	1663.74	1435.97
25	Food Manufacturing (20)	1129.18	+0.3	10.18	4.31	12.09	1.69	1125.82	1131.41	1120.43	1057.82
26	Food Retailing (16)	2491.52	-0.3	8.50	3.11	15.40	3.15	2499.19	2522.20	2502.20	2284.49
27	Health and Household (21)	2816.05	-0.4	6.37	2.72	18.61	0.91	2827.17	2842.72	2804.91	2407.28
29	Hotels and Leisure (22)	1283.97	+1.1	10.64	5.34	11.16	9.06	1270.62	1280.31	1288.65	1518.63
30	Media (25)	1321.58	-0.3	11.05	5.20	11.42	7.81	1326.06	1324.27	1301.83	0.00
31	Packaging & Paper (11)	601.39	+0.5	8.75	5.73	14.01	0.30	598.46	600.56	587.27	555.75
34	Stores (34)	870.11	+1.3	9.76	4.20	13.33	1.76	858.82	865.68	847.98	778.75
35	Textiles (11)	450.89	+0.6	12.75	7.80	10.06	0.65	448.11	451.40	448.29	497.50
40	OTHER GROUPS (111)	1132.13	+1.0	11.39	5.29	10.62	2.56	1121.08	1129.31	1115.90	1154.97
41	Business Services (12)	1070.71	+0.9	11.68	5.04	10.41	0.26	1060.89	1058.75	1050.14	0.00
42	Chemicals (21)	1192.85	-0.2	11.92	5.98	9.90	0.77	1195.11	1218.73	1203.61	1172.34
43	Conglomerates (11)	1503.03	+1.8	11.36	6.86	10.50	6.83	1477.12	1475.04	1450.10	1572.15
44	Transport (15)	2120.74	+2.3	12.33	4.80	10.00	1.82	2072.54	2072.03	2029.79	2254.86
45	Electricity (12)	1126.68	+0.7	10.94	6.25	11.02	0.00	1119.35	1122.60	1118.82	0.00
46	Telephone Networks(3)	1273.03	+1.2	10.51	3.97	12.38	0.00	1257.81	1271.21	1254.38	1217.76
47	Water(10)	2445.48	+1.5	13.86	5.73	8.06	39.69	2408.51	2422.54	2411.71	2029.38
48	Miscellaneous (27)	1771.29	....	10.69	5.12	10.89	1.37	1771.94	1788.45	1775.36	1832.37
49	INDUSTRIAL GROUP (480)	1150.67	+0.8	10.63	4.75	11.52	2.47	1141.66	1147.68	1134.72	1124.14
51	Oil & Gas (20)	2308.88	+2.4	11.22	5.74	11.67	34.91	2255.86	2249.84	2262.41	2338.04
59	500 SHARE INDEX (500)	1248.13	+1.0	10.71	4.89	11.54	4.88	1235.79	1240.99	1229.77	1225.01
61	FINANCIAL GROUP (98)	787.77	+1.2	-	6.08	-	2.87	778.41	782.03	771.08	804.79
62	Banks (9)	850.13	+2.7	18.05	6.92	7.24	5.83	827.95	830.28	814.77	874.45
65	Insurance (Life) (7)	1452.89	+0.4	-	5.29	-	0.00	1446.71	1440.93	1414.03	1304.95
66	Insurance (Composite) (6)	685.43	+0.7	-	6.27	-	0.00	680.47	699.68	690.10	663.79
67	Insurance (Brokers) (8)	1057.14	+1.1	6.99	6.10	18.73	7.94	1045.98	1037.66	1030.61	1056.42
68	Merchant Banks (7)	407.83	-0.5	-	5.00	-	0.00	410.06	403.18	401.43	490.44
69	Property (41)	1014.96	-0.4	6.54	4.63	20.95	1.26	1019.07	1017.43	1009.20	1107.50
70	Other Financial (20)	272.63	+0.2	9.21	6.61	13.71	2.30	271.95	273.38	273.66	316.05
71	Investment Trusts (69)	1117.14	+0.5	-	3.65	-	4.03	1111.65	1118.34	1102.85	1152.67
99	ALL-SHARE INDEX (667)	1134.70	+1.0	-	5.02	-	4.39	1123.31	1128.16	1117.02	1122.26

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 26	Feb 25	Feb 22	Feb 21	Feb 20	Year ago
FT-SE 100 SHARE INDEX♦	2348.0	+25.8	2348.2	2306.8	2322.2	2335.5	2314.3	2312.4	2296.8	2255.4

FIXED INTEREST

	PRICE INDICES	Wed Feb 27	Day's change %	Tue Feb 26	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.18	+0.14	121.02	1.98	1.65
2	5-15 years (31)	131.88	+0.02	131.85	1.66	2.69
3	Over 15 years (8)	141.03	+0.05	140.95	2.95	1.08
4	Irredeemables (6)	154.80	-0.12	154.99	2.43	1.14
5	All stocks (73)	130.91	+0.06	130.84	1.91	2.21
	Index-Linked					
6	Up to 5 years (2)	158.15	-0.05	158.22	0.22	1.03
7	Over 5 years (10)	144.22	-0.04	144.27	0.53	0.89
8	All stocks (12)	145.15	-0.04	145.20	0.50	0.90
9	Debs & Loans (54)	109.85	+0.03	109.87	2.24	1.67

	AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 27	Tue Feb 26	Year ago (approx.)
	British Government				
1	Low	5 years	9.28	9.29	10.98
2	Coupons	15 years	9.60	9.60	10.63
3	(0%-7¾%)	25 years	9.76	9.76	10.51
4	Medium	5 years	10.15	10.14	12.23
5	Coupons	15 years	9.98	9.98	11.06
6	(8%-10¾%)	25 years	9.91	9.90	10.63
7	High	5 years	10.28	10.30	12.36
8	Coupons	15 years	10.13	10.12	11.26
9	(11%-)	25 years	10.04	10.01	10.78
10	Irredeemables	†	9.92	9.91	10.50
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.79	3.75	4.44
12	Inflation rate 5%	Over 5 yrs.	4.17	4.16	3.97
13	Inflation rate 10%	Up to 5 yrs.	2.33	2.29	3.48
14	Inflation rate 10%	Over 5 yrs.	3.98	3.98	3.79
15	Debs &	5 years	11.99	11.98	13.38
16	Loans	15 years	11.66	11.66	12.86
17		25 years	11.42	11.42	12.86

♦Opening index 2318.5; 9 am 2310.4; 10 am 2318.3; 11 am 2318.4; Noon 2328.6; 1 pm 2332.2; 2 pm 2336.5; 2.30 pm 2336.2; 3 pm 2333.2; 4.10 pm 2343.1; (a) 4.26pm (b) 9.09am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	32	19
Corporations, Dominion and Foreign Bonds	3	6	12
Industrials	492	173	889
Financial and Properties	228	102	419
Oils	44	8	40
Plantations	0	1	9
Mines	58	10	96
Others	64	45	38
Totals	924	377	1,522

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	105	102	East German Inv. Tst.	105		-	-	-	-
$100	F.P.	-	95	58	♦Eidos 10p	59		-	-	-	-
-	F.P.	-	18	15	♦Europe Energy 5p	15		-	-	-	-
-	F.P.	-	3825	3475	Eurotunnel Finder. Wrrnts	3700	+125	-	-	-	-
-	F.P.	-	130	90	JF Pacific (New Wrrnts)	130		-	-	-	-
50	F.P.	-	45	43	Trio Inv. Tst.	44		-	-	-	-
-	F.P.	-	9	6	Do. Warrants	7		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+or-
-	-	-	86	68	Brent Walker Capital 13pc Cv Cap Bd	80	+2
100p	F.P.	-	108p	105p	Brit. Land 8¾pc Cnv. Cap. Bds. 2011	108p	+2
100p	F.P.	-	105p	93p	Evered 7.25p (Net) Cnv. Red. Prf.	96p	+3
‡	P/P	29/11	38p	30p	♦Greenacre Group Cv. Rd. Prf. 70p	30p	
35	-	-	34½	29½	Grosvenord Securities 8pc Cv Ln 2000	33½	
100p	F.P	-	105p	96p	TT Group 10⅞pc Cnv. Red. Prf. 1997	105p	
100p	F.P.	-	113p	97p	Worcester Cm Rd Cv Pf	113p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+ or -
15	Nil	-	2pm	2pm	♦Europe Energy 5p	2pm	
12½	Nil	-	1¼pm	1¼pm	Ptarmigan	1¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Feb. 18
● Last Dealings March 1
● Last Declarations May 30
● For settlement June 10

For rate indications see end of London Share Service

Calls in Berisford Intl., Blacks Leis., BTR warrants '93/94, Chrysalis, Control Secs., Danbury, Ferranti Intl., Five Oaks Invs., IWP Intl., Midland & Scottish Res., Ossory Ests., Premier Cons., Standard Chartered, Telfos, Tuskar Res. and Unichem. Puts in Ratners and TI. Put and call in Tuskar Res.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons (*525)	460	75	80	92	3	6	12
	500	43	50	65	8	21	25
	600	15	27	40	30	47	50
ASDA (*134)	120	19	24	26	2	4½	7
	130	11	18	21	5	8	11
	140	5½	12	15	10	13	16
Brit. Airways (*159)	140	26	28	29	3	7½	9
	160	11	14½	19	8½	16	18
	180	4	-	-	23	-	-
SmKl Beecham A (*695)	600	103	120	137	2½	8	11
	650	60	82	102	9	18	23
	700	28	52	70	27	37	42
Boots (*359)	300	66	72	77	1	4	5
	330	39	46	55	3½	9	12
	360	18	26	36	13	21	25
B.P. (*327)	300	35	43	47	3	8	11
	330	13½	23	30	13	19	23
	360	4	10½	-	35	36	-
British Steel (*130)	120	14	17	18	2	5	7
	130	7	10	11½	5	9½	11
	140	3	-	-	12	-	-
Bass (*1017)	950	93	114	145	11	25	30
	1000	54	84	112	25	42	53
	1050	28	54	85	55	68	77
C & Wire (*537)	460	87	98	112	3½	9	12
	500	54	65	83	9	18	23
	550	22	37	55	30	40	43
Courtaulds (*368)	330	47	51	64	3	7½	9
	360	23	30	42	9½	16	20
	390	6½	-	-	26	-	-
Com. Union (*526)	460	67	75	78	4	10	15
	500	30	45	53	16	24	27
	550	8	21	30	50	51	54
Fisons (*421)	390	37	53	66	4	7	11
	420	18	34	47	18	21	24
	460	5	17	27	47	49	50
GKN (*361)	330	35	42	46	11	16	20
	360	12	28	30	26	30	35
Trafalgar (*249)	220	39	38	50	6½	14	18
	240	23	30	40	12	22	28
	260	13	-	-	22	-	-
Utd. Biscuits (*372)	330	46	51	61	3	6	8
	360	19	30	41	11	15	19
	390	6	14	24	31	33	36
Unilever (*704)	650	66	83	102	6	14	17
	700	28	50	70	26	34	39
	750	10	29	47	59	68	72
Ultramar (*339)	300	45	55	62	4	7	10
	330	22	35	42	12	18	21
	360	8	18	-	33	35	-

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
Elec. Pkg. (*£1825)	1800	95	140	-	50	90	-
	1850	65	95	-	70	100	-
Eastern Elec (*166)	160	10	18	21	3½	7	11
	180	2½	8	11	16	18	25
Southern Elec (*173)	160	16	22	-	3	5½	-
	180	4	9½	-	10	13	-

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit. Aero (*609)	550	72	67	97	17	22	28
	600	38	56	67	33	45	54
BAA (*407)	390	39	47	57	12	21	25
	420	20	31	41	27	35	38
BAT Inds (*663)	650	42	57	72	27	38	44
	700	18	33	50	55	65	70
BTR (*372)	360	25	37	42	17	21	26
	390	11	23	29	35	39	45
Brit. Telecom (*306)	300	23½	30	36	7½	14	16
	330	7½	14	21	26	30	32
Cadbury Sch (*365)	360	21	32	41	17	20	22
	390	8½	19	27	37	39	42
Guinness (*787)	750	62	86	101	20	30	33
	800	35	57	73	45	50	57
GEC (*201)	180	29	32	35	3	5	7
	200	14½	17½	23	8	13	15

Option	
Amstrad (*67)	60
	70
Barclays (*400)	390
	420
Blue Circle (*260)	240
	260
British Gas (*240)	240
	260
Dixons (*174)	160
	180
Glaxo (*914)	900
	950
Hawker Sidd. (*518)	500
	550
Hillsdown (*219)	200
	220
Lonrho (*226)	220
	240
Midland Bk (*180)	180
	200
Reuters (*800)	800
	850
R. Royce (*161)	160
	180
Sears (*93)	90
	100
THF (*263)	260
	280
Thorn EMI (*691)	650
	700
TSB (*154)	140
	160
Vaal Reefs (*557)	50
	60
Wellcome (*503)	500
	550

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UK COMPANY NEWS

Commercial radio plays a mixed tune

Jane Fuller on the opportunities and obstacles facing operators

COMMERCIAL radio companies are broadcasting some confusing messages to investors. Sometimes they drone on about the downturn in advertising revenue, sometimes they sing out with optimism.

These mixed messages come against the background of a fall from stock market grace. In 1988 and 1989, the sector became fashionable thanks to rising profits, the first flush of deregulatory enthusiasm and some aggressive corporate activity.

In the past year, however, even cash-rich companies like Capital Radio and Radio Clyde have underperformed the FT-Actuaries All-Share Index, as worries set in about commercial radio's vulnerability to cuts in advertising spending.

Looking ahead, the good news is that this is a year of opportunity. New licences will be offered for two national and nearly 30 local stations.

There is also scope for stronger groups to extend their interests in existing licences. They might acquire financially weaker companies at more sensible prices, or pick up minority stakes.

The opportunities might also draw in investment from outside the local radio industry. Other media companies have pricked up their ears at the advertisement of the first independent national radio licence – INR1-FM – specialising in "music which is not pop".

Among the consortia expected to make a bid are Classic FM, chaired by Mr David Astor, and Real Radio, led by EMAP, the publishing group.

They will probably face some local competition. Mr James Gordon, managing director of Radio Clyde, said it was considering launching a joint bid with Radio Forth. Others have shied away, albeit reluctantly, although they may return later this year to bid for the second national station, which could broadcast pop music or speech.

Mr Ron Coles, managing director of Midlands Radio, said his group had felt that the viability of INR1 might be "a bit marginal" because of high fixed costs and the discouraging revenue climate. It would not be worth the risk of diluting the company. Low share prices and a lack of confidence in the sector would also hamper fund-raising.

The Nottingham-based group is, however, interested in the new licence for Lincoln, an adjacent area. A similar line is being taken by Metro Radio in the north-east. It took over Yorkshire Radio in October and would like to add York to its string.

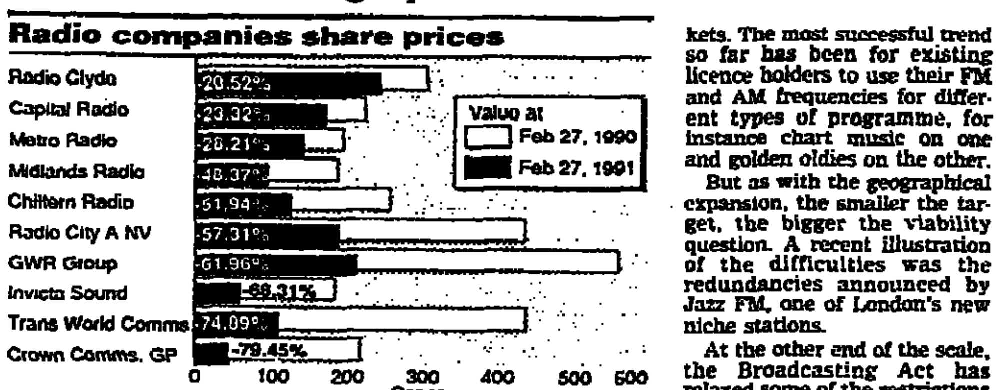
But Mr John Josephs, Metro's finance director, said that this year's crop of local licences, which avoids the metropolitan areas, tended to be of a less attractive size. "It costs the same to cater for 250,000 as for 1m" – while the appeal to advertisers was obviously very different. Mr Gordon put it more bluntly: "We are now getting down to areas with lovely scenery and no people."

Headroom for expansion is, in any case, limited for the larger groups, even though the Broadcasting Act has modified the restrictions.

But the really bad news is that no matter what the opportunities are, the operators are preoccupied with the advertising recession.

According to Mr Chris Akers, media analyst with Citibank, 95 per cent of the radio companies' revenue comes from advertising, compared with 80 to 85 per cent for commercial television and 65 per cent for the press.

Radio companies share prices



The advertising revenue attracted to independent radio rose 15 per cent to £142m in 1989 – about 2 per cent of the total spent on all media.

Estimated figures for 1990, published in the James Capel Media Book, show radio suffering an inflation-adjusted decline in advertising revenue of 4.2 per cent. A further real fall of 2.6 per cent is forecast for this year.

The ill effects of this slowdown have been exacerbated by the increased number of independent radio stations. Between 1987 and 1990 the total shot up from 50 to 107.

The pressure of dividing the cake into more slices will remain even when revenue picks up. Mr Coles said: "Radio has 2.9 per cent of display advertising spend. It will have to increase to 5 to 6 per cent just to sustain the new stations."

Analysts have been waiting some time for the hoped-for increase in radio's share of the advertising market. Ms Janet Robson, media analyst with UBS Phillips & Drew, said: "A lot depends on the new national station. That will increase the advertising share for the sector and also bring in bigger advertisers, who will start to regard it as a serious proposition."

One of the things most closely watched is "the BBC effect". Mr Nigel Walmsley, who is moving from Capital Radio to head Carlton Communications' bid for an ITV franchise, said that 90 per cent of the population listened to the radio for 20 hours a week. "But 60 per cent of that goes to the BBC, which is no use to advertisers." London with its greater choice of stations had, however, seen a welcome trend: more than 60 per cent of listeners tuned into commercial radio.

Tantalising comparisons are made with other countries. According to Mr Akers, radio's average share of advertising spend in continental Europe is 4.5 per cent. "However, the range is from 13.5 per cent for Austria to 2.1 per cent for the UK. For the US, the figure is 10.5 per cent."

There were, of course, some caveats to the comparisons. For instance, he said the US had 10,000 stations – by no means all profitable.

Yet the US experience has pointed the way forward in terms of targeting niche markets. The most successful trend so far has been for existing licence holders to use their FM and AM frequencies for different types of programme, for instance chart music on one and golden oldies on the other.

But as with the geographical expansion, the smaller the target, the bigger the viability question. A recent illustration of the difficulties was the redundancies announced by Jazz FM, one of London's new niche stations.

At the other end of the scale, the Broadcasting Act has relaxed some of the restrictions on the larger groups' expansion. But once they reach their new ceilings, they have to ask themselves where next? Capital has, in a small way, moved into other areas of broadcasting and entertainment.

Others reckon there are opportunities on the Continent. But the risks have been demonstrated by Crown Communications, which has spent more than £10m developing RFM in France. Crown hopes RFM will move out of the red this year, but it still needs to sell most of its radio investments to try to halve its £18m debt.

For the investor, the good news is that commercial radio, now more reasonably priced, seems set to build up audiences and, at last, to improve significantly its share of the advertising market.

The bad news is that there is no longer an easy, fashion-related mode of judging the whole sector. The table runs the gamut from well managed, cash-rich companies, through those forced to cut their costs, to others with heavy debts and loss-making parts.

After the years of plenty, the advertising recession has at least helped in the meting out of some rough judgment.

St Modwen cuts dividend as profits slump to £4m

By Paul Cheeseright, Midlands Correspondent

ST MODWEN Properties yesterday announced annual pre-tax profits at 40 per cent of the 1989 level and a dividend sharply reduced from 1.4p to 0.5p.

Although the Birmingham-based group traded profitably in both halves of its year to November 30 1990, its asset value fell from 41p to 38p per share.

Mr Stan Clarke, chairman, warned, as other property company chiefs have done, that market conditions were likely to remain "tough and uncertain for the foreseeable future."

Pre-tax profits amounted to £4.05m compared with £10.07m, while earnings per share dropped to 2.3p (6.2p). A provision of £2.14m was taken below the line for bank guarantees given to a joint venture, now dissolved, set up with Allied Investment and Property Holdings.

At £4.4m, rent received by St Modwen just covered its interest rate bill. But the rent roll rose by 37 per cent to £5.2m and Mr Clarke said rental income should comfortably exceed interest charges in 1991.

Total debt is £44m, which gives a gearing of less than 100 per cent, but this should reduce during the year because of payments for the Concord Office Park in Manchester. Contracted sales for 1991 are higher than those for last year. In line with the market, the value of the group's investment property portfolio fell 6 per cent to £62.9m.

Century Oils shuns Fuchs bid

By Andrew Bolger

Century Oils Group yesterday formally rejected the hostile cash bid of 110p per share from the German-owned Fuchs Group as "wholly inadequate".

The offer by Fuchs, which also makes and distributes lubricants, values the UK group at £35m. Century shares yesterday closed 5p higher at 125p, giving it a market value of £39.7m.

Mr Charles Mitchell, chairman and chief executive of Century, said of the bid: "It fails to reflect the strength of Century's position in the UK and overseas lubricants market, the potential of its range of new products and its long-term strategic value.

"Fuchs itself appears to recognise this, as it has clearly reserved the right to increase its offer."

Turks expected to decide on BCMB bid next week

By John Murray Brown in Istanbul

ÇUKUROVA, the Turkish industrial conglomerate, is expected to make a final decision on its bid for British and Commonwealth Merchant Bank (BCMB) by the end of next week, according to bankers in Istanbul.

Çukurova is understood to have offered £25m, but is having difficulty arranging a £150m standby facility to finance the deal. BCMB was put into administration last June, after the collapse of its parent, the British and Commonwealth financial services group.

The standby is needed to provide liquidity if the administration order is lifted and depositors rush to withdraw funds. More than £300m of deposits were frozen by administrators Ernst & Young.

Morgan Grenfell, the UK merchant bank, has been asked to arrange the facility, but two UK clearing banks are understood to be reluctant to give support. The two banks are not being asked for fresh money but simply to roll over some of their existing exposure to the parent company.

Preliminary approval for the sale has been given by the Bank of England. A draft purchase agreement is in place with the administrators, who have also extended the period of exclusive rights for the bid.

If no funding is in place, bankers expect Çukurova to withdraw its bid by the end of next week. One banker said the only alternative for BCMB would then be liquidation.

NEWS DIGEST

BWD dives sharply to £0.85m

THE difficulties currently being encountered by the securities industry were yesterday illustrated by BWD Securities, the West Yorkshire-based portfolio management group.

Taxable profits for the year to November 30, after an exceptional charge of £201,000, dropped 50 per cent, from £1.71m to £849,000.

The decline was more marked at the operating level which fell to £377,000 (£1.33m).

Mr Christopher Broadbent, chief executive, said that the BWD Rensburg stockbroking operation was affected by the continued reduction in market activity, particularly in the final quarter.

Corporate finance activities declined in the second half "reflecting clients' inactivity in the uncertain economic environment".

Turnover improved slightly to £7.85m (£7.65m). Earnings per share emerged at 3p, down from 6.7p last time, and the recommended final dividend is cut to 0.75p (2.75p) for a total of 1.75p (3.75p).

William Jackson nears £2m

William Jackson & Son, the baker, meat product manufacturer and discount store operator, returned pre-tax profits of £1.92m for the 26 weeks to October 27, up from a previous £1.7m.

Earnings per share rose to 48.28p (43.53p) on higher turnover of £99.16m (£96.16m).

The company warned, however, that pre-tax profits for the full year were likely to be less than that of the previous 12 months due to start-up costs needed to open Giant Grandways, a superstore near Hull, and the economic downturn.

An extraordinary loss of £66,000 (£138,000 profits) related to the sale of properties.

French Property assets fall 20%

French Property Trust had a net asset value of 77.21p per 25p ordinary share at December 31, a downturn of 20 per cent since the company's flotation last April.

Available revenue for the period amounted to £179,000, equal to earnings of 0.71p. The proposed dividend is 0.47p.

ICL in £2m expansion

ICL, the UK-based computer company, has acquired Comdes, a Dutch software house, for about £2m. Comdes, part of the Dutch Modalfa/Mobeta group, has 80 employees and specialises in financial, legal and healthcare software.

Pittencrieff makes two acquisitions

Pittencrieff, the oil and gas investment company, has made two acquisitions for a total of $1.66m (£850,000).

Sweetwater Canyon Sand Unit, a Texas-based oil and gas company, cost $556,000, satisfied by $250,000 cash and the balance in shares. Dopita Communications, which is based in west Texas, was acquired for $1.1m cash.

NSM splits top executive positions

NSM has become the latest company to split its top executive positions with the appointment of Mr John Jermine, formerly of ADT, the electronic security and car auction group, as chief executive.

Mr Jermine, 46, will succeed Mr Donald Carr who had previously combined the chairman's and chief executive's roles. Mr Carr, 60, is to remain as executive chairman.

The appointment comes some 12 days after the debt-laden mining and building products group issued a profits warning which precipitated a sharp fall in its share price.

Until the end of last year, Mr Jermine was the director and vice-president responsible for European operations at ADT. Since then, he has worked with Mr Carr on a review of NSM's operations and strategy.

Mr Carr said that his new colleague was "strong on management and financial controls" and had "done disposals as well as acquisitions.

"We have a clear idea of where our respective responsibilities are," he said. Mr Jermine takes up his full-time appointment on March 4.

Drayton Blue Chip launch postponed

The launch of Drayton Blue Chip Trust has been postponed. The split capital trust was to be accompanied by two personal equity plans which would have been based on the two classes of shares.

However, one of the Peps, based on the preferred growth shares, was to have been called the Guaranteed Growth Pep. Last week the Investment Management Regulatory Organisation (Imro) ruled against the use of products with the "guaranteed" label.

Invesco MIM, the manager, is working on a plan to float the trust and comply with the Imro regulations.

Transatlantic edges higher

Transatlantic Holdings, the investment company 48 per cent-owned by Liberty Life of South Africa, announced profits of £70.6m for 1990, a 4 per cent increase on the £68.1m of 1989.

Earnings per share rose from 17.5p to 19.16p, and a final dividend of 7.5p lifts the total for the year to 13.5p (12p).

Net asset value per share fell from 450p to 393p, reflecting a drop of 15 per cent in the value at Capital & Counties, the company's property subsidiary which announced its 1990 results on Monday, as well as a decline of 11 per cent in the market value of shares in Sun Life, the insurance group in which it has a substantial holding.

Cash and short-term investments at the year end were £268.8m (£220m). Mr Donald Gordon, chairman, said there had been a prudent downward valuation of TransAtlantic's investment portfolio in property and equity.

Inchcape expands in North America

Inchcape, the international services and marketing group, has strengthened its North American network of environmental testing laboratories via the acquisition of Aquatec, of Vermont, and Anametrix, of California.

Inchcape has invested $13m (£6.7m) in the two companies, which in 1990 had a combined turnover of $11m.

Mothercare opens in eastern Europe

Mothercare International, the baby products company which forms part of the Storehouse group, is to open a franchised store in Belgrade, Yugoslavia.

The move will represent the first store Mothercare has opened in eastern Europe, although it is already planning to open further stores in Hungary, Czechoslovakia and Poland.

The Belgrade store, which has a selling area of 2,100 sq ft, is to be franchised to Univerzal, a Yugoslavian export-import company founded in 1952 which acts as an agent to several Western companies.

Dunedin net asset value falls 94.5p

Net asset value of the Dunedin Income Growth Investment Trust fell by 94.5p to 489.5p per share over the year to January 31.

Available revenue improved from £7.35m to £8.03m, equal to earnings of 25.25p (23.12p). A proposed final dividend of 16p makes a 24p (21p) total.

UK COMPANY NEWS

Composite insurers unveil poor results for 1990

Commercial Union dives sharply to £1.4m

By Richard Lapper

COMMERCIAL UNION, the UK general and life insurer, yesterday announced pre-tax profits of £1.4m for 1990 and increased its dividend for the year by 7 per cent to 23p, via a final of 14p.

The results, which were roughly in line with expectations, compared to pre-tax profits of £150.5m in 1989. Like other UK insurers, CU was badly affected by a combination of increased claims and severe rate competition and registered increased underwriting losses in the UK and in Europe.

The continuing profitability of CU's UK and Dutch life insurance business – life profits amounted to £102m – pushed the results marginally into the black.

New business grew strongly with worldwide new annual premiums increasing by 13 per cent and single premiums by 35 per cent.

CU's premium income in the non-life sector fell from £2.5bn to £2.43bn, reflecting the weakness of the dollar as well as continuing softness in premium rates.

Premium income from life business rose from £1.02bn to £1.16bn. With investment income amounting to £243.5m (£276.8m) and non-life underwriting losses up to £344.8m (£245m), non-life operating losses amounted to £100.6m compared to profits of £48.5m.

After taking account of realised investment gains of £20.8m (£81.9m) profits attributable to shareholders worked through at only £22.2m (£173.9m), forcing CU to transfer £76.4m from reserves to meet dividend payments of £98.8m.

Underwriting losses were heaviest in the UK, where extreme weather and subsidence claims accounted for almost two thirds of a total underwriting loss of £145.4m. The storms in January and February 1990 cost £40m. Over £20m was spent in reinstating reinsurance protection. The cost of subsidence claims rose to £47m compared with £19m in 1989.

There was a steady increase in claims from theft. CU noted a deterioration on its motor account and an escalation in large fires claims. The company paid 132 fire claims of £100,000 or over in 1990, with the total £58m over twice as much as the £24m paid out in 1989.

Mr Peter Ward, CU's general manager for trading operations in the UK, said yesterday that CU was "reviewing its options" about possible legal action over its investment in the failed Levitt Group. CU invested £7.35m in the financial services group last September. Mr Ward said yesterday: "We obviously feel we were conned."

GA plummets to loss of £121m

GENERAL ACCIDENT, the Perth-based general and life insurer, yesterday reported a pre-tax loss of £121.3m for 1990 compared with a profit of £147m in 1989, writes Richard Lapper.

The loss was fully in line with expectations. Worldwide underwriting losses rose from £203.8m to £461.7m, while investment income fell from £462.7m to £429.9m.

In the UK underwriting losses amounted to £230.9m, with weather-related losses net of reinsurance accounting for £71m of the total.

GA said there had been a deterioration across all accounts which had been particularly in the motor sector. There was a serious increase in losses from domestic mortgage guarantee and creditor business, as well as from arson and other crime-related claims.

However, the company believes that the restructuring measures currently underway as well as a series of premium increases will be sufficient to restore profitability. This confidence was reflected in the decision to increase the dividend by 7 per cent to 26.75p, the final being 17.05p.

The restructuring, which involves a major overhaul of GA's branch network, is designed to reduce staff numbers, increase efficiency and improve customer service. GA is looking to reduce staff costs at its branches by 20 per cent and by 10 per cent at head office, according to Mr Nelson Robertson, chief general manager.

Mr Robertson said the process was now virtually complete in Scotland. A total of 1,000 jobs will eventually be axed, with the bulk of these cuts being achieved by natural wastage and voluntary redundancy.

Mr Robertson said GA was seeking a minimum 15 per cent increase in industrial risks business and was "walking away" from business where this was not achieved.

Motor rate increases were now being introduced quarterly. A 10 per cent increase in household structure rates was introduced this year and GA was now examining the possibility of charging extra premiums for people living in areas more prone to subsidence.

A bright spot was the marked improvement in the result of the NZI Bank, the New Zealand subsidiary acquired by General Accident in 1988. NZI's losses at the year end were sharply down at £6.3m compared with £47.6m in 1989. On the other hand, losses on the group's chain of estate agencies continue to be a source of concern, increasing to £23.3m (and to £26.2m if interest paid is included) compared to £20.5m (£22.6m).

Ashley Ashwood

Nelson Robertson - looking to reduce staff costs by 20 per cent and head office costs by 10 per cent

Wilkes agrees deal with Record

By Clare Pearson

JAMES WILKES, the engineer, has agreed to pay £3.6m for the outstanding 25.8 per cent stake held by fellow Sheffield-based company Record Holdings, the hand and power tools manufacturer, in Easterbrook Allcard, the cutting tools concern which Wilkes acquired last August.

Along with the purchase of another small minority at the same price per share, the deal finally gives Wilkes full control of Allcard, for which it fought an acrimonious bid battle with Record.

Record's "white knight" offer for Allcard, a private company also based in Sheffield, was thwarted in the summer after the failure of an unusual attempt by holders of 10 per cent of the shares to revoke acceptances earlier given to Wilkes.

Mr Stephen Hinchliffe, chairman of Wilkes, said the acquisition of the minority, at 793p per ordinary share, meant Wilkes had paid about £13.5m in all for Allcard.

Mr Arnold Taberner, deputy chairman of Record, said the selling price had covered costs of his company's unsuccessful offer, apart from interest charges on holding the shares.

The announcement came as Record announced it had made pre-tax profits of £4.74m for 1990, up from £4.72m. Despite "dire" trading conditions it managed to increase margins after rationalising and reorganising its business.

After tax of £1.67m (£1.51m), earnings per share fell to 10.7p (11.4p). The final dividend is held at 2.45p, making 3.6p (3.45p) for the year.

The pre-tax line was struck after a £256,000 exceptional charge for the fall in value of investment in two quoted companies. Mr Taberner said they were in the tools industry.

Both export and home sales fell, cutting turnover to £34.85m (£37.74m). But the company said more than £1m of the decline was attributable to discontinued activities and a further £1m was down to currency translations.

Costs of a reorganisation, whereby Record has ceased supplying components to outside parties and is now concentrating solely on tool manufacturing, were taken as a £582,000 extraordinary charge.

Last month, Record sold its Electro tools distribution business to management.

Bradford & Bingley 15% higher at £101m

By David Barchard

BRADFORD & BINGLEY, the eighth largest UK building society, yesterday announced a 15 per cent rise in pre-tax profits to £101m for 1990.

During the year, the society's assets grew by 26 per cent to £9bn. After the planned merger with the ailing Leamington Spa Building Society, announced last weekend, the combined society will have total assets of £11.5bn. In 1990 it absorbed three very small societies through mergers.

Bradford & Bingley is the only top ten building society which has declined to tie with an insurance company under the Financial Services Act. It said yesterday that it intended to maintain its position as a provider of independent financial advice. It is also one of the societies most strongly committed to the retention of mutual status.

The society's mortgage lending in 1990 grew by 25 per cent to £2.18bn, while its share of the total building society mortgage market rose to more than 5 per cent, against 4.3 per cent in 1989.

There was a sharp increase in provisions against losses – from £770,000 to £9.3m – mostly on residential property lending.

Home improvement and personal loans made up 8 per cent of total advances. Retail savings placed with the society rose from £390m to £550m.

The number of investors rose from 1.5m to 1.7m.

Property sales in train as Eleco dips to £2.24m

By Clare Pearson

Pre-tax profits of Eleco Holdings, the building products and contracting company which has decided to withdraw from property development, were £2.24m in the half-year to end-December 1990.

That represented a 16 per cent decline on last time's £2.67m. On the 1989 result as restated to exclude discontinued activities, the fall was 11 per cent to £2.52m.

Along with the results, Eleco yesterday announced that it had made its first significant property development disposal with the £4m sale of office space in Stevenage.

Unlike developments, property investments are not being accounted for as if they were discontinued. But Eleco does plan to sell them. Initial disposals in the second half of last year were reflected in a fall in rental income to £350,000 (£700,000) and swing round in the net interest position from £379,000 payable to £464,000 receivable.

Actual interest costs incurred by discontinued activities during the period were £2.2m, the company said.

The interim dividend is maintained at 2.3p. Earnings per share fell to 4.9p, against a restated 5.6p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Castle Communications, Glaxo, Goodwin, High-Point, Intl Media Comms, Isotron, Macro 4, Ossory Ests., SEET, Sheldon Jones, Sinclair Goldsmith, Whinney Mackay-Lewis.

Finals- Cluff Resources, Courtaulds Textiles, Cowie (T), English & Overseas Props, Grafton, Greenwich Comms, Kleen-e-Ze, London Forfaiting, Owners Abroad, Philips Lamps, Royal Insurance, Sanderson Murray & Elder.

FUTURE DATES

Interims-	
Kleinwort Dev Fund	Mar. 18
Moorfield Estates	June 20
Precious Metals Trust	Mar. 12
Finals-	
Appleyard	Mar. 14
Ash & Lacy	Apr. 3
Baillie Gifford Tech.	Apr. 2
Braime (T.F.&J.H.)	Mar. 8
Brixton Estate	Apr. 24
City & Comm Inv Trust	Mar. 5
Colorgraphic	Mar. 18
Consolidated Venture Tst	Mar. 1
Fife Indmar	Mar. 11
Mensec	Mar. 18
Pacer Systems	Mar. 5
Pentos	Mar. 7
RMC	Apr. 10
Redland	Mar. 28
Wilson Bowden	Mar. 21

Boardroom reshuffle at Marks and Spencer

By John Thornhill

MARKS AND SPENCER, the international retailing group, yesterday announced several board changes and confirmed that Mr Rick Greenbury would take over from Lord Rayner as chairman and chief executive from April 1.

Mr Greenbury's appointment was expected given that Lord Rayner had foreshadowed the announcement at the company's annual meeting last July.

But City analysts were slightly surprised by yesterday's elevation of Mr Clinton Silver, a managing director, to the post of deputy chairman.

Mr Silver, who is 62 this year, has already passed the company's normal retirement age of 60. But analysts thought that his extensive experience across several areas of the business would be of great benefit to the new chairman.

Mr Keith Oates, finance director, has also seen his executive hand strengthened through being appointed a managing director.

This means that there are now three managing directors at Marks and Spencer and the appointment perhaps marks Mr Oates as the coming man at the company's Baker Street headquarters.

Mr Chris Littmoden, a divisional director responsible for various financial functions, and Mr Paul Smith, a divisional director in charge of the company's Far Eastern operations, have also been appointed to the board.

Investment income provides spark at Pifco

By Michiyo Nakamoto

A strong gain from investment income lifted interim profits at Pifco Holdings, the electrical appliance manufacturer, by 18 per cent from £1.54m to £1.81m.

Turnover for the six months to end-October was hurt by the slump in consumer sales and edged ahead to £12.98m (£12.58m).

Investment income surged by 82 per cent to £538,000 (£296,000). The company has concentrated its investments in cash instruments, which enabled it to benefit from the high interest rates. "We're an old-style company," said Mr Michael Webber, chairman.

Trading profits, on the other hand, edged up to £1.28m (£1.24m).

No particular division had shown strength but the company's wide range of products had enabled it to maintain a resilient performance in spite of the soft consumer market, Mr Webber said.

The interim dividend is raised to 3.5p (3.25p), payable from earnings per share of 14.7p (12.5p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BWD Securities §......fin	0.75	Apr 8	2.75	1.75	3.75
Cityvision ....fin	0.5	June 7	0.5	1†	0.75
Commercial Union....fin	14	May 17	13.35	23	21.5
Dunedin ....fin	16	Apr 24	14	24	21
French Prop Tst ......fin	0.47	Apr 19	-	0.47	-
General Accident .....fin	17.05☆	July 1	16.25	26.75	25
Lasmo ....fin	4.75	May 2	5.5*	8.5	7.5*
Pifco ....int	3.5	Apr 26	3.25	-	7.25
Record Hldgs ....fin	2.45	May 31	2.45	3.76	3.45
St Modwen Props ....fin	0.5	Apr 11	1.4	0.5	1.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

Cityvision up 31% and adds 46 stores

By John Thornhill

CITYVISION yesterday announced a 31 per cent improvement in annual pre-tax profits and revealed that it was paying £2.4m cash for 46 stores from Video Store Group, the rival video rental company that went into receivership earlier this month.

The outlets, said to be in complementary locations to Cityvision's chain of 808 Ritz stores, are expected to turn over more than £4.5m a year and generate cash in excess of £1m.

The receivers for Video Store Group said they were delighted that the jobs of about half the group's 500 employees had been safe-guarded. They were hopeful of selling the remaining 50 stores.

In the year to November 30, Cityvision's pre-tax profits rose from £12.51m to £16.35m on sales ahead 71 per cent at £78.44m (£45.84m). All the growth came from the 280 stores which were opened during the period.

The company warned, however, that profits would fall in the current first half as the recession had effected the first six weeks' trading.

Since then, conditions had improved and sales were running at about 5 per cent below last year's levels.

Mr Terry Norris, managing director, said the outlook for the second half was more encouraging as demand was expected to rise further in response to the interest rate cuts and a £10m advertising campaign launched by the industry's trade body.

Fully diluted earnings per share rose from 7.07p to 7.75p.

The board plans a final dividend of 0.5p, which will bring the yearly pay-out to 1p, up a third on the previous year.

● **COMMENT**

This has been a turbulent year for the video rental industry. Riven by disputes about depreciation policies of video titles, and ruffled by the effects of the recession and corporate collapses, the industry has emerged from 1990 in a far sorrier state than it entered it. Cityvision has endured its fair share of problems. The company's share price has fallen out of bed as a result of worries about the sector, its chairman has resigned over differences of policy and its accounting policies have been consistently queried. All this suggests that investors should have run a mile, preferably a year ago. And, given the company's gloomy prognosis for the first half of the year, they should not be in a hurry to return. Pre-tax profits this year may edge up to £17m, giving a prospective multiple of about 7. Cityvision is undoubtedly better placed than most of its rivals to take advantage of the market, but it will be worth waiting to see what kind of a market it turns out to be.

Saatchi and WPP attract sizeable US investment

By Alice Rawsthorn

THE BELEAGUERED British advertising industry yesterday showed it still has some appeal for US investors when two US fund management groups emerged as sizeable shareholders in WPP and Saatchi & Saatchi.

Pioneering Management Corporation, a Boston-based fund management company, announced that it held 3.3 per cent of WPP. The State of Wisconsin Investment Board disclosed that it had increased its stake in Saatchi's ordinary shares to 3.7 per cent.

Advertising agencies have traditionally been seen as attractive investments by US fund managers because of their high potential for cash generation.

PMC first invested in WPP last September when it bought just under 3 per cent of its shares at an average price of 400p. WPP's shares have since fallen sharply – to 62p yesterday – following its profits warning last December.

Mr Norman Kurland, vice-president international of PMC, said he "still had faith" in WPP and had taken advantage of its low share price to increase his holding further.

WPP is in the closing stages of a $1bn financial restructuring programme and it hopes to finalise proposals by the middle of next month.

Last week Saatchi announced revised proposals for its refinancing: swapping existing preference shares for new ordinaries, thereby increasing the number of ordinary shares tenfold.

Saatchi's shares, which were worth more than 200p a year ago, have also fallen in recent months. They firmed by ½p to 17½p yesterday.

Smith & Williamson in BES move

By John Authers

Smith & Williamson, the private bank, yesterday announced that it would sponsor a Business Expansion Scheme company which was discontinued when its original sponsor, Chancery, went into administration last week.

The scheme, originally known as Growth Assured and now re-named Home Secured Investments, will buy houses from tenants of The Mortgage Corporation who are in difficulties, and convert them into assured tenancies. TMC, which is a subsidiary of Salomon Brothers, the US investment bank, has undertaken to buy back the properties at a fixed price in five years' time, lessening risk for investors.

This is one of several such schemes on the market, and various alternative sponsors have been approached since Chancery Corporate Finance's parent company went into liquidation last Monday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.02.91: Pool purchase price £/MWh	Final Prices for Trading on 21.02.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.22	13.58	13.58
0100	19.29	15.69	17.11
0130	25.59	25.00	26.62
0200	25.59	25.00	26.61
0230	25.59	17.09	18.59
0300	19.98	15.69	17.11
0330	19.96	15.49	16.90
0400	16.46	13.46	13.46
0430	15.15	13.40	13.40
0500	14.90	13.37	13.37
0530	14.90	13.38	13.38
0600	14.90	13.39	13.39
0630	15.22	13.40	13.40
0700	19.17	17.86	19.35
0730	19.89	20.16	21.76
0800	19.89	25.70	27.44
0830	20.87	27.00	28.69
0900	26.26	27.00	28.67
0930	26.26	25.70	27.27
1000	26.26	25.70	27.37
1030	20.87	25.70	27.36
1100	20.87	29.75	31.55
1130	20.87	29.75	31.55
1200	20.87	29.75	31.55
1230	24.25	35.00	36.93
1300	24.23	35.00	36.94
1330	20.87	22.56	24.35
1400	20.87	20.90	22.47
1430	20.67	18.56	20.06
1500	20.87	19.29	20.88
1530	20.21	19.29	20.88
1600	20.90	20.90	22.46
1630	24.25	25.97	27.95
1700	24.25	25.79	28.49
1730	24.25	27.48	28.10
1800	24.25	27.44	29.05
1830	24.26	28.50	29.94
1900	24.26	26.41	27.98
1930	24.28	26.40	28.05
2000	24.27	25.92	27.58
2030	24.25	19.97	21.49
2100	20.98	19.16	20.65
2130	19.89	18.07	19.55
2200	19.89	17.19	18.65
2230	16.47	16.18	17.61
2300	15.22	13.40	13.40
2330	15.16	13.27	13.27
2400	15.16	13.28	13.28

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

TECHNOLOGY

Small solutions to big problems

A technology group that many dismissed as capricious when it started in 1966 celebrates its 25th anniversary this year with a timely reply to its critics. The Rugby-based Intermediate Technology Development Group (ITDG) is probably Britain's fastest growing overseas development agency, having doubled its staff in the last two years.

ITDG works with people in developing countries to design and develop technologies which are suitable for their needs and which contribute to their communities. It began after a newspaper article by Fritz Schumacher, who worked for the National Coal Board.

Schumacher's argument was that much of the large-scale technology that Britain exported to developing countries was too costly and labour-saving to be appropriate.

He suggested that smaller "intermediate" technology was needed, in between the very costly and the primitive. If low-cost but simple solutions to problems were developed, or even re-discovered, then Schumacher believed that local people would be the first to see their advantages and want to adopt them.

Beginning life with a £100 donation, ITDG now employs more than 180 people – about a quarter based in developing countries – and has an annual income of around £5m.

Frank Almond, the group's chief executive, speaks of the enormous "growth of interest in intermediate technology ideas". When ITDG started, however, it was viewed with suspicion by many in the developing world who wondered if its was a western-country plot to palm them off with inferior technology.

The group is involved in designing and developing new technologies, often in collaboration with institutes of technology, university departments and commercial firms in developing countries. Its activities range over agriculture, fisheries, food processing, building, power, water, mining, transport and also training, education and information. "Often it's a matter of pushing designs through to the commercial market-place," says Almond.

New designs have led to the development of many small manufacturing and service businesses both in western and developing countries. In Nepal, for example, about a dozen small companies compete to make equipment for micro-hydro energy systems.

Almond points to ITDG's work in helping to develop micro-hydro systems as one of its most significant achievements. These systems use water to generate electricity for rural housing and industry such as as processing foodstuffs. "Micro-hydro has challenged the assumption that centralised power is the way," says Almond. "These small systems are now widely used in rural area and have changed lives – not least because they allow people to read at night."

Helping people in famine-prone areas is another aspect of the group's work. In a dry part of north-west Kenya ITDG has helped to design sustainable methods of harvesting rainwater for crop production. Earth bunds (embankments) have been built to trap rainfall and yields of the staple food, sorghum, have increased.

Building technology also figures prominently. In the Zimbabwe capital, Harare, 60 per cent of people seeking housing are unable to afford even the cheapest self-build units. ITDG is working with a local organisation to test building materials for small-scale production.

The creation of more jobs is one of ITDG's chief aims and this sometimes occurs indirectly as a result of a new design. The development in Sri Lanka of cooking stoves which sell for less than £1, and cut fuel consumption by 30 per cent, has led to many hundreds of people setting up small workshops to make new-style stoves to meet the demand.

George McRobie, ITDG cofounder, believes that intermediate technology ideas are still not growing fast enough to meet pressing needs. "If governments are serious about rural development they have to change the rules and favour the small against the big."

With many countries in the developing world strapped for cash, it may be financial reality rather than absolute conviction that persuades governments to take intermediate technology ideas seriously.

John Madeley

Stewart Fleming examines Siemens' commitment to R&D

Splitting its image

Solar cells hope to shine in the market place

Last year Siemens, the German electronics company, spent close to DM7bn (£2.4bn) on research and development as part of its effort to keep abreast of the intensifying competition in its core businesses. These range from telecommunications to factory automation and power-generating equipment to computers. In international terms the sum amounts to one of the biggest financial commitments to R&D of any leading corporation.

But the company has recognised that money alone will not buy success in the race to develop and produce products which can compete in high-technology markets around the world. So it is in the process of redirecting its R&D spending in a variety of ways in order to bring commercially exploitable innovations more rapidly to the market place. "We have begun to change [the way our] research and development is set up and also to change the attitude of the people," says Hans Gunter Danielmeyer, the Siemens board member responsible for R&D.

Part of the change involves becoming more selective in deciding what innovations to pursue as part of its effort to improve the ultimate profitability of its R&D investment. It is also seeking to accelerate the process of product innovation and make everybody involved in it sensitive to both the costs and to the requirements of the market place. "We have got to be as clever as our competitors in Japan," says Max Guntersdorfer, a director of Siemens research and development division.

Central to the shift in policy, says Danielmeyer, has been the far-reaching reorganisation of the corporate structure that Siemens has carried out, splitting the business up into 15 independent business divisions. The new Siemens organisation, with smaller business units of DM3bn-4bn annual sales, creates increased pressure to be successful in the market place and therefore faster in developing new ideas. This restructuring at the corporate level is mirrored in the way R&D is being carried out.

The company came to the conclusion that its central R&D function was a large unit that was not necessarily responsive enough either to the needs of the Siemens businesses themselves or to developments in the outside world. So the decision was taken in principle to transfer responsibility for R&D programmes to the divisions. "Our first preference is to get a division to do the R&D," says Danielmeyer, adding that this leaves the central R&D operation to focus on longer-range issues.

One example of the different approach to R&D Siemens has been adopting, according to Danielmeyer, is the evolution within the company of a discovery made at Stanford University in California in 1962 – high-frequency signal processing using surface acoustic waves. This innovation has been important in improving the quality of television sets.

Siemens used the discovery to try to develop a specific product, a television filter. In 1975 it set up in the research department a process (production) line with the objective of making the filter not just technically superior, but also economically viable.

Embracing the "lead customer" concept in this case it also collaborated with television manufacturer Grundig in bringing the filter into full production.

More generally, Danielmeyer maintains that when the divisions take primary responsibility for R&D the problems (which can arise when research, development and production are done separately, including what he describes as "the not invented here syndrome") are diminished.

In addition, the feedback from different departments, production or sales, for example, on how they see the project progressing comes more quickly. This speeds up the process of bringing a project to market, a necessary change now that product cycles have shortened from the 10 to 15 years of a generation ago. Danielmeyer points out that half of Siemens products are now less than five years old.

Increasingly, like its leading Japanese competitors, the company is also expanding, albeit selectively, its links to universities and technical institutes. This is both to keep abreast of basic research and to identify and establish contact with the most able scientists and researchers, not least with an eye to prospective recruitment opportunities these relationships may throw up. In this way Siemens hopes to have a broader range of ideas to draw on and to be able to select and pursue those that are ripe for commercial development.

As well as its links with German universities, Siemens has relationships with Carnegie Mellon University in the US for software and Indiana University for circuit design, for example. Danielmeyer says that Siemens has not had a good position in the UK or France so far as links with universities or technical institutes are concerned. Partly through the acquisition with GEC of Plessey this is now changing.

Siemens is also finding it advantageous to collaborate with other leading electronic companies. In the early 1980s it began a collaboration programme with Fujitsu, the Japanese electronic concern which has been supplying Siemens with its largest mainframe computers, and with Fujitsu Fanuc, the Japanese company's robotics division.

It has also worked with Toshiba, another Japanese concern, on the development of a 1Mbit computer memory chip. This project stems from an effort to close the technological gap which was opening up with its main international rivals in the field of semiconductors.

With the benefit of its experience with Toshiba, Siemens has been working on the development of a 4Mbit chip on its own. But it has teamed up with IBM, the US computer concern, to tackle the challenge of developing a 64Mbit chip.

It is also breaking new ground in the way it is working with IBM. Previously on such a co-operative project Siemens would have had its technicians working in Munich while IBM's operated separately in the US. This time Siemens sent its people to the US to sit in the laboratory with IBM researchers.

The successful completion of this project would, outside observers maintain, bring Siemens into the technological vanguard in the field of semiconductors. This is a goal the company has been striving for for more than 20 years.

Because of its conviction that this technology is central to so many of its businesses, Siemens has been prepared to suffer persistent heavy losses in its semiconductor division throughout this period in order to stay in the technological race. It is evidence, and Danielmeyer says that there are other examples such as turbine development, of the company's ability to take a long-term view of its development even at the cost of its short-term financial performance.

Fuzzy picture for European HDTV

By Andrew Hill

High-definition television (HDTV) – the promise of greatly improved picture quality – is an enticing prospect, for consumers and electronics groups alike. But the European Commission is afraid this prize will slip from its grasp if it does not take decisive action soon.

Today in Brussels, broadcasting and electronics groups are meeting Filippo Maria Pandolfi, the EC technology commissioner, for informal discussions about whether the Commission should weaken or strengthen existing rules on broadcasting standards in an attempt to put its HDTV strategy back on the rails.

At the moment EC rules, framed five years ago and due for renewal next year, dictate that all direct broadcasting TV satellites must use D2-Mac as their standard, as an intermediate step towards HD-Mac, a full HDTV standard which should be adopted in 1995.

But the Commission's 1986 ruling has been clouded by a number of developments – technological and commercial – including the fact that some 2m satellite TV viewers already receive pictures from the Astra satellite, which broadcasts via the traditional Pal standard. Astra – used, among others, by Rupert Murdoch's British Sky Broadcasting – escapes the restrictions of the original EC directive because it is technically a telecommunications and not a television satellite.

Piqued by this, large electronics groups like Thomson Consumer Electronics of France and Philips of the Netherlands, which have invested heavily in the development of HDTV equipment, now fear the Commission will relax its original standards.

Discussions with Pandolfi will take place in private, but the debate between the main protagonists has been very public. Last week, according to Dutch press reports, Philips accused Société Européenne des Satellites (SES) – the quoted Luxembourg company which owns the Astra satellite – of abusing its position.

SES hit back with a special press conference in Brussels last Friday, at which Pierre Meyrat, the group's director general, denied claims that SES was running a disinformation campaign. SES, says Meyrat, is not opposed to the eventual introduction of Mac and favours a gradual approach which allows the industry to choose the path to an HDTV standard.

SES wanted to select Mac technology in 1988, but there was no Mac equipment available, he adds, citing proven consumer interest in Astra transmissions as the strongest reason for allowing Pal broadcasts to continue.

Electronics groups respond that the original Astra move – using the lower-powered telecom band to broadcast television pictures – was "very much against the spirit of the Mac directive".

The Commission is painfully aware of the risk that these EC companies will fall behind their Japanese rivals, which are already selling expensive first-generation HDTV sets, and the indications are that it will hold to its 1986 approach. But there are several shades of opinion within the Brussels bureaucracy itself.

Pandolfi is said to favour toughening the earlier directive, while free-market commissioners like Martin Bangemann would like to see a relaxation of restrictions. Meanwhile, a third commissioner, Jean Dondelinger, who is responsible for the EC's audio visual affairs, this week advocated a transition period to HDTV, which would protect existing consumers and broadcasters, and the adoption of a deadline for all satellite broadcasts to use a single Mac standard. Pandolfi advisers say this was Dondelinger's "personal view".

The Commission's telecommunications and information industries directorate denies that the HDTV strategy is a mess, but officials concede that recent developments (for example, US progress in devising alternatives like digital television) have given the pot a further stir. As one official puts it: "[Such developments] have certainly prompted deeper reflection in the Commission about the whole [HDTV] philosophy: they make the picture a bit fuzzier."

BUSINESS LAW

Putting a price on pollution

By Christopher Napier

THE basic approach of government policy on the environment is that pollution should be prevented at source, and that the polluter should pay for the necessary controls.

Preventive action costs money. The potential financial burden on industry is enormous. Fortunately the government recognised in a white paper published last autumn that the cost of each step in the better control of pollution should be measured against its beneficial effects on the environment.

Preventive action is at the heart of the integrated pollution control (IPC) system under the Environmental Protection Act 1990 (EPA), being introduced over the next five years from April 1.

IPC will cover the 5,000 most polluting plants, but many of its principles will be applied by local authorities to an estimated 27,000 further plants under the new air pollution control (APC) system. The EPA provisions on waste control, to come into force in 1992, will affect all businesses to varying degrees.

The implementation of these two control systems will, in practice, be driven not only by the statutory requirements of the EPA but also by developing government policy. The white paper envisages the adoption of a "critical loads" approach. This means that there will be assessments of the levels of pollution that can continue to be tolerated by local environments without significant damage, so that attention and costs can be focused on the most vulnerable areas.

Although the Environmental Protection Act imposes a duty on the Inspectorate of Pollution to require use of the best available technology and techniques to prevent or minimise pollution in industrial processes, the statutory long stop is that they should not entail costs excessive in relation to the environmental protection to be achieved.

It seems clear that this will be interpreted to mean costs excessive to a particular industry, taken as a whole; and that costs to a particular operator can no longer be pleaded to excuse updating of plant.

However, the discretion given to the inspectorate in implementing the IPC is considerable, and the overall result of government policy will be (where European Community legislation allows) that costs will be imposed on industry where they will have maximum effect in improving the environment, and those improvements can be seen by the public, rather than in reaching idealistic objectives. Similar principles will no doubt apply to APC and waste control.

Compliance itself is to become more expensive. Under the "polluter pays" principle it is intended that those who cause environmental damage will pay the bulk of the costs of regulation and enforcement, so that they have a clear incentive to act more responsibly.

The pollution inspectorate will make charges for authorisations under IPC (for the most polluting processes) based on a charge for each component authorised for discharge into the environment, and an annual charge. Of significance to business at large is the plan of the National Rivers Authority to recover £35m a year from those discharging into waters to cover the costs of water pollution control. Local authorities are also likely to introduce charging schemes for operating the new APC system. The costs of waste disposal look set to double.

Those who do not comply with the new controls face fines of up to £20,000 in the magistrates' court, and unlimited fines in the Crown Court. Clean-up costs incurred by the enforcing authorities can also be recovered from the polluter, and may well exceed any fine.

The EPA requires local authorities to compile registers of land that may be contaminated, based on historical usage. Costs may be incurred by owners in appeals against inclusion of their land on the register, and severe reduction in value may result if inclusion in the register is justified. The white paper envisages that costs reasonably incurred in cleaning up such land can be recovered from the owner immediately or when he sells the land.

Encouragingly, the white paper specifically points to areas of possible cost offset. It canvasses making greater use of "market-based" or "economic" instruments to supplement regulation, for example, tradable permits to pollute.

Preventing and minimising emissions to the environment, waste minimisation, and recycling, are expected to show savings to industry by reduction in compliance costs, waste disposal costs and raw material costs, and will reduce the risk of massive clean up costs at a later date.

There is also the prospect of a market for pollution control and waste minimisation equipment estimated at £25m in Europe and £100bn worldwide.

Some costs may be offset by grant aid schemes which the white paper recognises as important.

But will there be other less obvious financial consequences of government policy on the environment? One area which should not be overlooked is civil liability.

The government does not seem to regard the introduction of retrospective civil liability as a means to recover the costs of clean-up of contaminated land. There are no plans therefore for environmental litigation similar to that in the US where, it has been alleged, more money goes on legal and scientific costs than on actual clean-up.

Many countries are considering the introduction of strict (but not retrospective) civil liability to provide additional incentives on polluters to carry out their activities with a greater degree of care, which would have serious financial implications for industry and underwriters.

The white paper has little to say on the subject, however. Indeed, it recognises that a system of strict civil liability for environmental damage would mean that it might be difficult to obtain insurance cover for some environmental risks.

By not making any commitment to strict liability the government therefore appears content to perpetuate the present position whereby an injured party has in most cases to prove damage to health or property attributable to negligence or nuisance.

However, the absence of specific commitment to an extension of civil liability can only amount to a temporary reprieve because the white paper also recognises the government's commitment to EC policy, which is active in this area.

The draft directive on civil liability for waste provides for strict (but not retrospective) civil liability on those who generate waste and dispose of it. It will also allow environmental interest groups to bring proceedings (where national law permits) for the cessation of acts causing injury to the environment and, although they will not be able to recover damages, it will permit courts to order reimbursement of costs incurred by such groups in taking measures to clean up the affected environment. Directives of strict civil liability for environmental damage caused by atmospheric and water pollution may follow in due course.

So, even if the government will not be "pro-active", it is content to allow it to become easier for plaintiffs to win civil proceedings. This will have consequences for insurance cover and for the level of premiums, as well as direct costs in circumstances not covered by insurance.

Furthermore, the white paper makes commitments which could act as spurs to successful civil litigation. Emphasis is placed on monitoring pollution more effectively, in the collection of data and the production of statistics – and in making the results public. This is apart from the provisions of the EPA for public access to environmental information held by government departments, and which will be required by the EPA to be supplied to the regulatory bodies by polluters.

Access to information previously unobtainable is likely to enable plaintiffs to overcome the problem of proving causation between particular emissions or waste and damage to health or property which has been one of the main barriers to civil proceedings to date.

As part of the tougher line on polluters the white paper approves the large number of prosecutions being brought by the National Rivers Authority, and expects that the pollution inspectorate and local authorities will follow that lead in due course. Successful prosecutions tend to lead to successful civil actions on the same facts.

So while the general message of government policy is that business – and subsequently the consumer – must accept increased costs as the price for a cleaner environment, there is recognition that the pace should be one acceptable to business and the economy.

The author is a partner in the environment group of the City solicitors Clifford Chance

EC Commission agrees support cuts

By David Gardner in Brussels

THE EUROPEAN Commission yesterday agreed to a new round of cuts in farm price support for most EC produce, and also established the option for cereals farmers of accepting lower prices or taking land out of production.

The latter was the nearest Mr Ray MacSharry, EC agriculture commissioner, got to the reforms he put forward earlier this year. These advocated very heavy cuts in cereals prices, with full compensation for small farmers and between two thirds and three quarters refund to medium to large farmers, if they set aside land.

Yesterday's package however, was largely conventional and aimed at keeping the farm budget within its prescribed guideline. Reform of the Common Agricultural Policy, already under fire from EC farm ministers, is on hold until Mr MacSharry comes up with detailed proposals once this year's price fix is out of the way.

Assuming member states approve the cuts, spending on price support is to rise by a record 30 per cent this year, to Ecu32.5 (Sterling 23bn) from Ecu25.1bn last year. This assumes savings from prices of Ecu540m and a supplementary budget to bring the budget agreed last December up to the full amount allowed under the "guideline" agreed in February 1988.

The co-responsibility levy, or production tax, on cereals is to rise from 3 to 6 per cent, but farmers will get exemption from the levy if they take 15 per cent of their land out of production. This measure is designed to ease overproduction, with cereals stocks currently near their historic high at 18m tonnes, and expected to rise.

The commission announced yesterday, however, that the 1990 cereals harvest came in at 159.7m tonnes, fractionally below the 160m tonnes level at which a 3 per cent "stabiliser" price cut is levied as a penalty on oversupply.

The intervention price for hard wheat is dropped 7 per cent, with the support price on oilseeds cut by 3 per cent. Rice and peas prices are also to be cut by 3 per cent.

Sugar prices are cut by 5 per cent, while the price of wine stays the same, but aid to distill it for storage will be reduced. Tobacco support prices are to be cut by 10 per cent, and not 15 per cent as Mr MacSharry had originally proposed, in what is understood to be a concession to Greece, where most EC tobacco production is concentrated.

In the beef sector, the source of the farm budget's biggest cost overrun and biggest intervention stockpile, the emergency safety net which committed the EC to buying in almost limitless amounts of surplus is to be abolished. Furthermore, there is to be an 8 per cent lowering of the level to which market prices have to fall before ordinary intervention takes place. This means that if the beef market shakes itself out and returns to any semblance of normality, EC buying in of beef would virtually cease. The price of sheepmeat is to be cut by 2 per cent.

The milk quota, as expected, is to be reduced by 2 per cent, and the commission will be looking at adjusting intervention in the dairy sector to reduce costs. But there is no price cut as such.

Reform plan goes against the grain

In the first of four articles looking at member countries' attitudes to proposals for redirecting EC farm price support, George Graham finds the French government and farmers united in opposition

FRANCE'S FARMERS gave their government a hard time last summer with a series of often violent demonstrations against its slowness to block imports of East European meat or to compensate for the effects of drought.

The new agriculture minister, Mr Louis Mermaz, has now found common ground with Mr Raymond Lacombe, chairman of the Fédération Nationale des Syndicats d'Exploitants Agricoles (FNSEA), the principal French farming union, inopposition to the proposals put forward by the European Commission for a reform of the Common Agricultural Policy.

"A masterly error," thundered Mr Lacombe, last week, echoing Mr Mermaz's description of the proposals laid out by Mr Ray MacSharry, the agriculture commissioner, as "unacceptable".

Both the minister and the farmers are agreed on one thing: farm incomes must continue to be derived principally from the price of the crops produced, rather than from some form of "social income" designed to compensate farmers for further drops in price.

"No-one wants to be turned into a glorified civil servant paid to cut the hedges and unable to survive on what he produces," comments one FNSEA official.

In some sectors of French farming, especially beef and sheep rearing, government and EC subsidies of one kind or another already account for as much as half of total income. The picture varies widely, however, according to the type of farming operation.

Among the few details of the MacSharry proposals that have so far emerged is a plan to cut farm produce prices and to compensate for this with a form of income support unrelated to production, concentrated on farms of less than 30 hectares.

At first sight, this might seem to suit French agriculture, for the average size of a farm in 1988 was 28 hectares.

These figures, however, are tilted by the weight of vineyards, orchards and market gardens in the country's overall production, where smaller acreages are needed. In addition, the trend over recent years has been towards rapid concentration.

From an average of 19 hectares in 1970, French farms increased in size to 23 hectares in 1979 and to 28 hectares in 1988 – the fourth biggest average in the EC, behind the UK (64.4 ha), Denmark (32.2 ha) and Luxembourg (30.2 ha). On current trends, French farms will average over 36 hectares by the year 2000.

In cereal production, although French farming is not as concentrated as the UK's, the 30 hectare cut-off point would hit virtually all producers, exempting only a handful who produce cereals principally to feed their own livestock.

"Over 50 per cent of French cereal farms are among the 20 per cent of EC farms which account for 80 per cent of cereal production, and these are all over 30 hectares. If you penalise the 20 per cent with the biggest acreages, you penalise everyone who really draws their income from cereals," an FNSEA official argues.

Mr Henri de Benoist, president of the French wheat-growers association, is also critical of the commission proposals, which he sees as going against the grain of history.

"I can understand the ideological dream of a countryside covered with 30 to 40 hectare farms, but this dream is the opposite of everything we have been pushed into doing for years now," he said last week, complaining that the commission wanted two policies, agricultural and social, for the price of one.

With young people more and more reluctant to take up farming, the trend towards larger farms and fewer farmers appears ineluctable.

Out of about 1m farmers today, 600,000 are over 50 years old, and 400,000 of these, cultivating a total of 7m hectares between them, say they do not know who will succeed them when they retire.

A total of 30,000 farms close each year, with bankruptcy now accounting for a rising proportion on top of retirement, but only about 10,000 young farmers a year set up in business.

With this long term trend in mind, farm union leaders are open to the idea of a more social approach to helping farmers whose economic position is manifestly not likely to improve to withdraw gracefully – like the plan now applied to dairy farmers. They also accept that something must be done, in the interests of preserving the environment, to brake the trend to ever more intensive farming techniques. French farmers argue, however, that the MacSharry proposals would actually favour battery farming techniques by driving cereal farmers to starting rearing livestock fed on the grains they produce, rather than selling their crops at unrealistically low prices on the market.

"We have to find a policy which doesn't continually force farmers to compensate for falling prices by increasing volumes," an FNSEA official concludes.

French farm income trends

Sector	Change in income in 1990	Proportion of subsidies in income	Change in income ex-subsidies
Cereals	-9.2%	6.8%	-12.1%
Market gardening	+0.6%	6.2%	-0.8%
Quality wines	+25.3	1.0%	+25.4%
Ordinary wines	+31.0%	8.9%	+33.5%
Fruit	+49.7%	9.2%	+56.6%
Dairy	+3.1%	13.5%	-0.8%
Beef	+5.1%	44.0%	-6.4%
Other herbivores	+2.3%	63.3%	-20.4%
All farms	+5.1%	11.7%	+2.4%

Source: SCEES, Ministère de l'Agriculture

Delors fails to raise budget ceiling

By David Gardner

THE EUROPEAN Commission yesterday pulled back from breaking the EC's limit on farm spending this year, defeating a proposal by Mr Jacques Delors, its powerful president, to raise the agricultural budget above the binding "guideline".

Spending will in any case rise by a record Ecu7.4bn (£5.2bn) to Ecu32.5bn. But – at the price of substantial cuts – it will be kept just below the ceiling that member states fixed in February 1988 to avoid any recurrence of the community budget crises of the early to mid-1980s.

The cuts were "the minimum required" to restore some semblance of balance to a chronically oversupplied food market, ahead of detailed plans for a through reform of the Common Agricultural Policy (CAP), Mr Ray MacSharry, EC agriculture commissioner said yesterday.

Mr Delors had surprised his colleagues by proposing an Ecu1.3bn increase over the "guideline" to cover the agricultural cost of German unification. After a long and occasionally heated debate lasting most of yesterday he was outvoted 10 to 3, with two commissioners absent.

Only last week, Mr Delors had emphasised the need to stay within the guideline to the European Parliament. Shortly afterwards, he told the French Socialist Party's agriculture committee that "the CAP is at the heart of a potential crisis" of the EC.

Mr MacSharry is understood to believe that a breach in the budgetary limit would leave the commission open to charges of mismanagement, and would damage the prospects of reform by signalling a willingness to throw money at the EC's deepening farm crisis.

The cuts agreed yesterday mainly affect cereals, milk, and beef, which are being produced at levels far above EC demand. They are consequently ending up in storage at the taxpayers' expense, or dumped abroad to the cost of agricultural exporters like the US and the 14-nation Cairns Group of agro-exporters led by Australia, which are demanding severe farm subsidy cuts from the EC within the Uruguay Round trade liberalisation talks.

The eventual success of the round depends on CAP reform, and had the commission attempted to breach EC spending limits, its longer-term commitment to reducing farm price support "wouldn't have looked very serious", a Cairns Group diplomat said yesterday.

Chilean copper company plans $700m investment over 5 years

By Leslie Crawford in Santiago

CODELCO, THE Chilean state copper corporation, plans to invest $708m in new mining projects over the next five years to compensate for falling production and declining ore grades at its four main mining divisions.

The world's biggest copper producer hopes these investments will boost its output of fine copper to 1.28m tonnes by the mid-1990s. Codelco's production peaked in 1989 at 1.24m tonnes – supplying close to 15 per cent of global demand – but rock bursts at its El Teniente underground mine lowered production to 1.20m tonnes last year.

Mr Alejandro Noemi, Codelco's president, forecasts that output will fall further to 1.17m tonnes in 1991, mainly because El Teniente's tunnels are being strengthened and an important section of brittle primary rock will not be safe to exploit before the second half of this year.

Mr Noemi is anxiously awaiting the passing by the Chilean Congress of legislation allowing Codelco to form joint ventures with domestic or foreign mining companies. The draft Bill has already been presented to Congress and it is expected to be approved without opposition. Codelco's expansion plans are ambitious even for this state giant, and finding partners in the private sector would lighten the burden of Codelco's investment costs.

The company is currently drawing up a portfolio of potential projects. Top of the list is Pampa Norte, which lies only eight kilometres (five miles) to the north of Chuquicamata, the world's biggest open-pit copper mine. Pampa Norte has some 500m tonnes of proven reserves and would require about $280m to develop.

Codelco is also planning to recover copper from the mountains of tailings (ore which has already been processed) at Chuquicamata. The process is called heap leaching, and involves sprinkling the tailings with solvents and extracting copper which percolates to the bottom. This will require an investment of $50m.

Andina, Codelco's third-largest division, is regarded as the mine which has the greatest potential for expansion. But Andina's location high up in the Andes forces it to close during the most bitter winter months. Codelco aims to invest $220m to expand operations there and to develop the technology needed to keep the mine open all the year round.

Higher than expected copper prices boosted Codelco's profits to $1.53bn last year from the initially forecast $769m. Mr Noemi says the company is trying to shield itself against an expected downfall in the price of the red metal by negotiating forward contracts at 110 cents a lb. In 1990, Codelco sold its copper at an average price of 113.8 cents a lb.

● Kenneth Gooding writes: Codelco's planned investment might not be enough to ensure that the group maintained copper output at past levels, analysts suggested last night. Questions were also asked about whether the group would be able to raise the necessary finance.

"The company has said in the past that it needs to spend US$250m a year just to keep its output standing still," said Mr Simon Hobson, a director of Metals and Minerals Research Services. "We concur with that assessment and believe Codelco needs to spend more than $1bn in the next five years."

He pointed out that the group was suffering badly from severe under-investment during the last years of the Pinochet regime in Chile.

In MMRS's Base Metal Concentrates newsletter, just published, Mr Hobson suggested that Codelco's output of copper would drop to 1.5m tonnes this year, to 1.1m tonnes in 1992 and to only 1m tonnes in 1993. "Output will fall until the new leaching plants come into operation, possibly in 1993," he said.

Mr Hobson says that, while Codelco's net operating costs enable it to produce copper for under 50 cents a lb, the full cost of producing primary refined metal recently have been about 90 cents a lb. The group faces high investment in housing and infrastructure work and the Chilean state's "take" is very high.

"Base Metal Concentrates," £650 for six copies a year from MMRS, 2 Henry Street, Bath, Avon BA1 1JT, England.

Argentine growers negotiating rescue package with government

By John Barham in Buenos Aires

ARGENTINE FARM leaders and government officials are negotiating a formula to to alleviate the farmers' worsening financial difficulties. Farmers say they can no longer cover their costs and some threaten to begin national protests on March 12.

Mr Domingo Cavall, the economy minister, offered on Tuesday to reduce some of the taxes introduced in an emergency tax package earlier this month and to lend farmers and co-operatives US$120m. He also said export taxes would be reduced.

However, the minister demanded that farmers comply with their normal tax commitments. Tax evasion is endemic in Argentina.

Farm leaders say a fearsome combination of rising costs, falling prices, rising taxes and dwindling loans is driving them into bankruptcy. Farmers claim they must pay on added $587.4m in emergency taxes, while their debts already exceed $500m.

Coninagro, an umbrella organisation for farm co-operatives, says farmers must refinance half their loans to stay in business. More than 20 per cent of outstanding loans are in arrears.

Furthermore, world prices, particularly for wheat, have slumped as a result of the US and European Community farm subsidies.

Argentine analysts say that although Argentina is one of the world's most efficient agricultural nations wheat prices cover only 29 per cent of production costs, while soyabean prices cover 60 per cent of costs.

The government has devalued the currency by 40 per cent since the beginning of the year. But a heavy increase in inflation has largely nullified the increase in farmers' export revenues. Mr Leonida Gasoni the leader of one of Argentina's four farm organisations, says the cost of most inputs are tied directly to the exchange rate.

Nonetheless, fuel prices have fallen sharply in dollar terms since last November and the government has abolished highway tolls that added 30 per cent to transport costs.

Despite the grim outlook, Argentine farmers are expected to produce their second consecutive bumper crop this year. Mr Eduardo de Zavalia, president of the Argentine Rural Society, which represents the largest farms, said fine weather had helped to offset lower spending on farm inputs.

Mr Martin Blaquier, the chief financial officer of Molinos Rio de la Plata, a leading food processing company, suggested: "If farmers are sticking it out, it is because they know that in the long term farming in Argentina is very profitable."

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD AND silver prices continued to edge up from their recent lows yesterday but were again outperformed by the platinum price, which added another $6.50 to Tuesday's $7.85 rally, reaching $393.50 a troy ounce, the highest level for nearly four weeks. Dealers explained that the platinum market had been buoyed by overnight Japanese buying. At the London Metal Exchange copper extended its cautious rally to five days and at the close was testing what dealers described as a "key chart point". But they did not seem very bullish about the price outlook. "It was yet another attempt on the $2,450 level," one said. Recent moves above that level had failed and another inconclusive break could prompt a substantial retracement, he added. At the London Futures and Options Exchange coffee prices fell sharply as short-covering by computer funds dried up. "Chartwise the market seems to have failed to make any recovery, so we're also seeing some liquidation," commented one trader. Freight futures were stronger, reflecting a sharpish rise in the Baltic Freight Index prompted by general optimism in the Pacific and Atlantic time charter markets.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.60-3.80t	+.45
Brent Blend (dated)	$18.60-8.70	+.625
Brent Blend (April)	$17.75-7.85	+.625
W.T.I. (1 pm est)	$18.75-8.80	+.45

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$236-239	+11
Gas Oil	$213-216	
Heavy Fuel Oil	$72-74	+1
Naphtha	$221-224	+10
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$359.45	+0.70
Silver (per troy oz)♣	362.50c	+1.50
Platinum (per troy oz)	$393.50	+6.50
Palladium (per troy oz)	$82.50	+1.00
Aluminium (free market)	$1550.0	+5.0
Copper (US Producer)	117.75c	-0.75
Lead (US Producer)	35⅞c	
Nickel (free market)	402c	+1
Tin (Kuala Lumpur market)	15.04r	-0.04
Tin (New York)	281.5c	+0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.57p	-0.16*
Sheep (dead weight)†	148.68p	+11.6*
Pigs (live weight)†	88.88p	+1.86*
London daily sugar (raw)	$236.0w	+22.0
London daily sugar (white)	$259.0w	+3.5
Tate and Lyle export price	£250.5	+12.5
Barley (English feed)	£121.5	-7.0
Maize (US No. 3 yellow)	£171.25	
Wheat (US Dark Northern)	£93	
Rubber (Apr)♥	48.50p	
Rubber (May)♥	49.00p	
Rubber (KL RSS No 1 Mar)	226.5m	
Coconut oil (Philippines)§	$365.0q	+10.0
Palm Oil (Malaysian)§	$350x	
Copra (Philippines)§	$235.0t	+2.5
Soyabeans (US)	£142.0	+5.0
Cotton "A" index	84.90c	-0.60
Wooltops (64s Super)	330p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Apr/May. t-Apr. w-Feb/Mar z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	213.00	207.00	220.00 203.00
May	195.00	187.00	196.60 183.00
Aug	197.00	192.20	197.00 189.60
Oct	196.00	191.00	190.80 189.00
Dec	198.80	193.80	190.00 190.00
Mar	196.80	191.80	197.40 187.60
May	199.00		199.60 189.80

White	Close	Previous	High/Low
May	300.9	293.0	303.0 289.0
Aug	299.5	297.0	299.0 289.0
Oct	271.0	263.0	270.0 262.0
Dec	265.5	258.0	264.5 255.0
Mar	271.0	263.5	270.0 262.0

Turnover: Raw 2938 (1634) lots of 50 tonnes. White 1306 (1406)
Paris- White (FFr per tonne): May 1555, Aug 1559, Oct 1413.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Apr	17.85	17.20	17.85 17.50
May	17.05	16.45	17.25 16.97
Jun	16.70	16.44	16.85 16.70
Jul	16.75		16.65 16.60
IPE Index	17.02	16.47	

Turnover 13007 (12871)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Mar	184.00	182.75	190.00 183.75
Apr	165.50	163.75	170.50 166.00
May	156.50	158.75	160.00 156.00
Jun	154.00	153.00	158.00 154.00
Jul	157.00	154.50	158.00 158.00
Aug	159.00	158.00	158.50 157.00
Oct	162.00		163.00 162.50

Turnover 7631 (8615) lots of 100 tonnes

WOOL
When free market conditions applied in Australia for the first time in 17 years, wool prices fell by 35% as measured by the AWC's market indicator-from 704 to 454 cents a kilo. There were wide variations within this from 15% to 50%. Trade further down the line in the wool textile industry remains very cautious, but activity has not deteriorated. Quoted prices for tops vary a lot but are in one or two instances above Monday's lows, at around 340p/kg. for 64's super, 225p/kg. for 58's average and 200p/kg. for 50's carded.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	605	599	605 598
May	631	626	634 627
Jul	660	656	662 658
Sep	685	682	688 681
Dec	716	715	719 714
Mar	742	742	745 739
May	762	761	765 760

Turnover: 9270 (10825) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 26 835.51 (833.61) 10 day average for Feb 27 855.92 (854.61)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	520	538	539 519
May	542	557	557 540
Jul	558	572	572 556
Sep	575	588	588 575
Nov	595	605	605 595
Jan	614	621	619

Turnover: 8285 (8165) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 26: Comp. daily 72.49 (72.75). 15 day average 70.88 (70.52)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	125.9	122.8	125.9 122.9
May	145.5	143.5	145.6 144.0

Turnover 63 (233) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	114.50	115.00	114.50
Jun	112.50	113.50	112.50
Aug	116.00	116.00	116.00
Oct	118.00		118.00
Dec	122.50		122.50

Turnover 138 (100)lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Apr	1475	1448	1486 1459
Jul	1149	1114	1160 1120
Oct	1242	1210	1245 1220

Turnover 500 (261)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Mar	125.70	125.45	125.70 125.50
May	129.00	128.80	129.05 128.80
Jun	130.95		131.00 130.80
Sep	108.70	108.90	108.65
Nov	111.80	112.00	112.25 111.75

Barley	Close	Previous	High/Low
Mar	114.65	114.60	114.65 114.60
May	116.20	118.50	116.50 116.40
Sep	105.80	105.75	106.05 105.50
Nov	109.50	109.60	109.80 109.50

Turnover: Wheat 173 (199), Barley 83 (112).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	113.0		111.0
Apr	112.0		111.5
Jun	111.0		111.0
Sep	110.0		108.0

Turnover: 43 (12) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	157.94	158.88			
Mar	158.30	158.00	158.30	157.70	115
Apr	158.50	157.50	158.50	158.00	105
May	158.20	157.50	158.20	158.00	65
Jun	157.90	157.00	157.90		45
Sep	157.80	158.20	157.80		77

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,007 lots
Cash	1548-50	1535-6		1544-6		
3 months	1576-8	1565-6	1580/1572	1575-6	1575-7	54,034 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,916 lots
Cash	1313-4	1304-6	1314/1292	1292-3		
3 months	1293-4	1287-8	1293/1278	1278-8	1296-7	97,904 lots
Lead (£ per tonne)						Total daily turnover 3,728 lots
Cash	307-9	310-2	309	308-9		
3 months	317.5-8.5	320-1	319/317	316-7	317.5-8	14,770 lots
Nickel ($ per tonne)						Total daily turnover 2,416 lots
Cash	8650-700	8600-10	8650	8640-50		
3 months	8600-25	8575-90	8625/8550	8575-80	8620-5	7,596 lots
Tin ($ per tonne)						Total daily turnover 836 lots
Cash	5620-5	5610-5		5620-5		
3 months	5715-20	5705-10	5725/5715	5715-20	5720-40	6,342 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,451 lots
Cash	1210-5	1197-9		1210-3		
3 months	1198-200	1192-3	1205/1192	1197-200	1198-200	17,971 lots

LME Closing £/$ rate:
SPOT: 1.9165 3 months: 1.8884 6 months: 1.8679 9 months: 1.8501

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	359.20-359.70	
Opening	360.25-360.75	
Morning fix	360.00	187.813
Afternoon fix	360.00	188.009
Day's high	361.10-361.50	
Day's low	359.20-359.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.65	6 months	5.33
2 months	5.59	12 months	5.19
3 months	5.46		

Silver fix	p/fine oz	US cts equiv
Spot	189.70	361.40
3 months	194.75	367.45
6 months	200.10	373.25
12 months	210.10	383.35

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	362.00-363.00	189.00-189.50
Maple leaf	371.50-372.50	194.00-194.50
New Sovereign	87.00-88.00	45.40-45.90

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1500	59	96	2	21
1600	4	41	46	65
1700	1	13	141	135

Copper (Grade A)	Calls		Puts	
2400	101	116	4	64
2500	31	66	33	114
2600	4	36	106	181

Coffee	May	Jul	May	Jul
500	47	58	6	8
550	17	33	26	25
600	5	15	64	57

Cocoa	May	Jul	May	Jul
600	83	73	3	14
650	44	42	14	33
700	18	23	38	64

Brent Crude	Apr	May	Apr	May
1700	105	105	30	86
1800	75	75		
1900		44		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	361.7	359.0	360.6	359.5
Apr	363.3	360.2	364.0	361.1
Jun	366.6	363.5	367.0	364.5
Aug	369.9	366.8	369.8	368.1
Oct	373.2	370.1	372.8	371.5
Dec	376.6	373.5	377.0	374.5
Feb	380.2	377.1	0	0
Apr	383.7	380.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	396.3	385.0	398.0	390.2
Jul	400.6	388.6	402.1	394.0
Oct	408.0	392.6	406.0	397.0
Jan	402.0	396.2	402.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	357.0	356.3	361.5	356.0
Apr	359.0	358.4	0	0
May	361.5	360.9	366.5	361.0
Jul	366.0	365.6	371.0	365.0
Sep	370.6	370.1	375.0	373.0
Dec	377.4	376.9	382.5	379.5
Jan	378.6	378.1	0	0
Mar	384.5	384.0	388.5	386.0
May	389.4	388.9	0	0
Jul	394.4	393.9	399.0	397.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	113.90	112.50	114.70	112.70
Apr	111.95	110.70	112.20	111.50
May	110.45	108.90	111.15	109.30
Jun	109.55	108.30	109.20	108.10
Jul	108.45	107.00	109.10	107.30
Aug	107.75	106.30	0	0
Sep	107.05	105.60	107.30	106.10
Oct	106.30	105.00	0	0
Nov	105.70	104.50	0	0
Dec	104.95	103.90	105.40	104.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.90	18.37	18.98	18.63
May	18.55	18.01	18.60	18.24
Jul	18.10	17.70	18.10	17.85
Dec	18.32	17.98	18.33	18.10
Jan	18.30	18.02	18.38	18.20

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5570	5488	5650	5460
May	5225	5160	5295	5140
Jun	5080	5010	5115	5010
Jul	5030	4960	5060	4950
Sep	5235	5145	5250	5185
Oct	5335	5245	5350	5270
Dec	5550	5445	5550	5500

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1085	1093	1098	1085
May	1121	1126	1132	1120
Jul	1155	1159	1162	1152
Sep	1189	1194	1195	1189
Dec	1233	1238	1238	1232
Mar	1274	1277	1280	1275
May	1303	1308	1310	1301
Jul	1333	1338	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	89.05	90.15	90.50	89.00
May	90.75	92.60	93.00	90.60
Jul	92.60	94.60	95.10	92.80
Sep	95.15	96.80	97.15	95.00
Dec	98.10	99.65	98.10	0
Mar	100.90	102.65	0	0
May	103.40	104.25	0	0
Jul	105.15	106.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.68	9.14	9.97	8.67
May	8.78	8.45	8.96	8.41
Jul	8.53	8.36	8.69	8.33
Oct	8.52	8.31	8.68	8.34
Mar	8.64	8.47	8.72	8.52
May	8.68	8.49	0	0
Jul	8.75	8.63	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	86.25	85.59	86.65	84.75
Jul	84.80	84.51	85.60	83.75
Oct	72.15	72.10	72.50	71.75
Dec	67.85	67.86	68.00	67.60
Mar	68.60	68.50	68.65	68.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	113.55	113.20	114.50	113.20
May	113.30	112.50	113.65	112.75
Jul	114.05	113.25	114.50	113.80
Sep	115.20	114.09	115.25	115.20

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 27	Feb 26	mnth ago	yr ago
1686.6	1674.9	1652.7	1831.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 26	Feb 25	mnth ago	yr ago
Spot	123.86	123.67	122.23	130.03
Futures	128.05	127.94	125.34	131.28

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	572/2	576/6	576/4	571/6
May	584/6	590/4	591/0	584/2
Jul	598/2	604/2	604/0	597/4
Aug	603/0	609/4	606/0	603/0
Sep	608/0	611/4	610/4	608/0
Nov	614/6	620/0	619/4	614/0
Jan	626/0	630/4	630/2	625/4
Mar	637/2	642/2	640/4	637/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.20	21.28	21.37	21.20
May	21.57	21.66	21.73	21.56
Jul	21.90	21.99	22.04	21.88
Aug	21.97	22.05	22.14	21.96
Sep	22.09	22.20	22.22	22.09
Oct	22.15	22.25	22.20	22.15
Dec	22.36	22.46	22.50	22.36
Jan	22.40	22.57	22.55	22.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	167.1	169.6	169.5	165.9
May	170.9	173.2	173.0	170.6
Jul	174.6	177.1	176.8	174.5
Aug	176.5	178.7	178.7	176.5
Sep	178.0	180.0	179.8	178.0
Oct	179.0	181.2	180.2	179.0
Dec	182.2	184.2	184.0	182.0
Jan	182.6	185.0	185.0	182.6

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	239/6	240/4	240/6	239/4
May	249/2	249/6	249/6	249/0
Jul	256/2	257/0	257/2	256/0
Sep	258/0	259/0	259/4	257/6
Dec	260/6	261/6	262/4	260/2
Mar	268/2	269/0	269/4	267/4
May	273/6	274/4	274/4	273/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	252/2	254/4	254/2	252/0
May	263/6	265/6	266/0	263/4
Jul	274/2	276/2	276/4	273/6
Sep	282/0	284/6	284/6	281/6
Dec	295/2	298/0	297/6	295/2
Mar	304/0	306/4	306/0	304/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	79.35	79.67	79.65	79.20
Jun	76.17	76.25	76.30	76.05
Aug	74.15	74.35	74.37	74.12
Oct	74.62	74.72	74.80	74.55
Dec	75.45	75.50	75.65	75.30
Feb	75.60	75.80	0	0
Apr	75.70	75.70	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	50.75	50.65	51.17	50.40
Jun	56.07	56.00	56.55	55.80
Jul	55.37	55.27	55.75	55.07
Aug	52.05	51.90	52.50	51.90
Oct	47.27	47.30	47.50	47.25
Dec	47.05	47.17	47.40	47.05
Feb	47.20	47.25	47.25	47.20

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	62.22	62.65	63.45	61.80
May	61.90	61.87	62.77	61.40
Jul	60.95	61.30	61.77	60.50
Aug	58.80	59.40	60.00	58.80
Feb	57.10	58.05	0	57.10

LONDON STOCK EXCHANGE

Rate cuts boost confidence in equities

FURTHER CUTS in domestic base rates yesterday laid the basis for a recovery in UK stocks. With the running taken up later by a firm start to the new Wall Street session, London closed at the best level of the day, with a 25.9 points gain returning it to the FT-SE 2,350 area.

Market volume, as measured by the Seaq electronic trading system, increased sharply as the move to 13 per cent base rates was seen as confirmation that UK rates are firmly on the downward trend. However, it was Wall Street's opening strength, together with determined buying of the London stock futures market, that supplied the closing boost.

The market closed very firmly, although still somewhat nervous ahead of the announcement this morning of trading results from ICI, still the market's most widely recognised stock, and Glaxo, the pharmaceutical leader which features in most institutional portfolios.

Account Dealing Dates		
*First Dealings:		
Feb 11	Feb 25	Mar 11
Option Declarations:		
Feb 21	Mar 7	Mar 27
Last Dealings:		
Feb 22	Mar 8	Mar 28
Account Day:		
Mar 4	Mar 18	Apr 8

*New-time dealings may take place from 8.30 am two business days earlier.

In early deals, institutions were inclined either to take profits or to stay out of the stock market following overnight weakness in New York and Tokyo. However, with the London money markets still confident on the interest rate outlook, equities steadied when the FT-SE Index dipped to within six points of the 2,300 mark, regarded as the new support level. Share prices were already rallying when the Bank of England's signal for a half point cut in base rates set the stage for a change of direction.

Equity strategists took the view that yesterday's cut in lending rates had been well-discounted in the stock market and that further reductions on Budget Day and thereafter can also be assumed. At County NatWest, Mr John Reynolds described the base rate cut as "one of a series we are looking for."

The stock market soon climbed into plus territory but the advance in share prices was fairly modest – 6 points on the Footsie – until London sensed that Wall Street was likely to respond favourably to expectations that the Gulf conflict might be resolved soon.

When New York came in with a gain of 26 Dow points in London trading hours, the UK market moved up strongly. The final reading showed the FT-SE Index at 2,348.0 for a gain on the day of 25.8 points. Seaq volume increased to 603.2m shares from Tuesday's 502.5m.

Anticipation of an early end to the Gulf conflict was also reflected in strong rise in airline and tourist shares, which have been hard hit by the adverse effects on the tourist industry of the terrorist concerns involved. But the chief impetus behind the late rise in the market came from oil stocks which responded readily to the early strength shown on Wall Street.

Bank stocks improved as the base rate cuts suggested some improvement in bad debt positions and helped steady nerves rattled by this week's trading figures from the leading UK high street bankers. The insurance sector survived the opening of the results season without too much difficulty as both Commercial Union and General Accident reacted relatively calmly to respective trading results.

The immediate outlook for the stock market is likely to be decided by the prospects for an early termination to the conflict in the Gulf, since uncertainty of any kind is always bad for investment confidence. But yesterday's cut in base rates has confirmed the underlying view that lower UK rates will boost share prices over the medium term.

FINANCIAL TIMES STOCK INDICES

	Feb 27	Feb 26	Feb 25	Feb 22	Feb 21	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.39	85.39	85.65	85.57	85.72	79.75	85.88 (19/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.56	93.60	93.63	94.18	94.12	89.31	94.23 (19/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1877.8	1855.0	1866.5	1848.7	1844.6	1781.4	1968.3 (3/1/90)	1510.4 (24/8/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	134.4	131.2	128.4	127.0	130.2	287.7	378.5 (6/2/90)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2348.0	2322.2	2335.5	2314.3	2312.4	2255.4	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 200	1083.75	1079.79	1095.31	-	-	-	-	-	-	-
Ord. Div. Yield	5.14	5.19	5.16	5.21	5.22	4.91				
Earning Yld %(full)	10.72	10.82	10.75	10.86	10.87	11.66				
P/E Ratio(Net)(☆)	11.28	11.17	11.25	11.13	11.13	10.38				
SEAQ Bargns 4.45pm	31,226	29,911	32,765	31,193	29,607	22,323				
Equity Turnover(£m)†	-	895.73	926.63	829.14	989.47	610.69				
Equity Bargains†	-	31,227	32,843	31,906	30,160	22,336				
Shares Traded (ml)†	-	420.9	468.3	395.4	482.1	305.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 11.09

Ordinary Share Index, Hourly changes — Day's High 1877.8 — Day's Low 1841.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1851.3	1843.6	1853.3	1851.9	1857.7	1860.6	1863.9	1861.5	1866.5

FT-SE 100, Hourly changes — Day's High 2348.2 — Day's Low 2306.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2318.5	2310.4	2318.3	2318.4	2328.6	2332.2	2336.5	2333.2	2338.6

FT-SE Eurotrack 200, hourly changes — Day's High 1086.52 — Day's Low 1072.64

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1072.89	1074.70	1076.26	1079.94	1081.82	1084.54	1083.38

GILT EDGED ACTIVITY

Indices*	Feb 26	Feb 25
Gilt Edged Bargains	107.2	93.4
5 – Day average	97.6	95.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Oil stocks advance strongly

STRONG indications that world crude oil prices might settle just below $20 a barrel rather than the $12 previously feared, and bullish positions from brokers, ensured that oil issues were healthy.

Fears of an oil glut were eased by a report that the head of the Kuwaiti Central Bank had announced that his country would be unable to produce oil for the next nine months.

The initial impetus for a rise in the sector came from a strong end-of-year statement by Lasmo, which saw pre-tax profits rise by £30.4m to £110.7m and turnover at record levels.

The shares climbed 13 to 368p on a turnover of 4.1m, helped by a buy recommendation from NatWest, the investment bank. It was also pushed by KleinWort Benson, the merchant bank.

Ultramar, the North American refiner, which is to release its results next week, was another beneficiary of attention from the two investment houses. It advanced 14 to 340p on turnover of 3.4m, in what one marketmaker described as a "good old fashioned bear squeeze" prompted by European buying.

Mr Steve Miller of NatWest said: "The cyclical upswing in refining will benefit Ultramar and, as far as Lasmo is concerned, we believe the fall in the price of crude oil had been discounted and the shares are trading at a discount to asset value."

Shell and BP were up on strong turnover. Shell picked up 10 to 464p on a turnover of 6.6m and BP added 7 at 327p as turnover reached 5m.

Finally, Century Oil gained 5 to 125p after the company rejected an "unwelcome, unsolicited and wholly inadequate offer" from Fuchs, German maker and distributor of lubricants.

Land Secs eases

The property sector defied the logic of falling interest rates and the upward momentum of the wider market by losing ground yesterday.

One reason for the weakness was that interest rate cuts had been discounted, although traders were more inclined to point to jitters over individual stocks than any macroeconomic change. As an illustration of these concerns, Smith New Court was reliably said to be cutting its net asset value on Land Securities (Land) this morning. The securities house is moving from a high 785p to 710p, close to the bottom of the range of analysts' estimates. Smith is reported to be concerned at falling rental incomes. Land itself revalues its assets on March 31, although the figures are not publicly released until the end of May.

Land shares lost 7 to 540p; the company is more than twice the size of the next biggest listed property company, so caution towards its fortunes are often interpreted as a downgrading for the whole sector. MEPC lost 2 at 526p, having been as low as 518p at one stage, while Slough Estates dropped 12 before ending 7 lower on the day at 246p. Volume was good except in Hammerson, where only 111,000 changed hands, a symptom of stock shortage also manifested in a price rise of 9 to 674p.

Insurers mixed

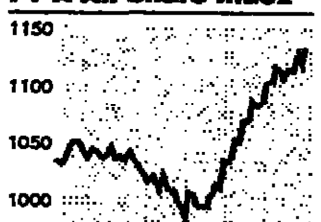
Composite insurances had a mixed day as the results season shifted into top gear. Commercial Union advanced 11 to 527p after posting full year profits of £1.4m, compared with £150m last time. General Accident retreated 6 to 445p after it revealed a loss of £121m, against a profit of £147m.

While CU's figures were close to analysts' expectations, GA's dividend was at the bottom of the range of forecasts, the year-end solvency was sharply lower and net asset value was "very disappointing", according to Mr Ian MacNeil at County NatWest. He rated both stocks a sell, on the grounds that neither had much flexibility in dividend, thus dividend growth would hit net asset values. BZW is also recommending clients to sell both stocks.

International stocks ran into profit-taking after their good run, losing ground while the rest of the market ran ahead. Today sees full year results from Glaxo and ICI.

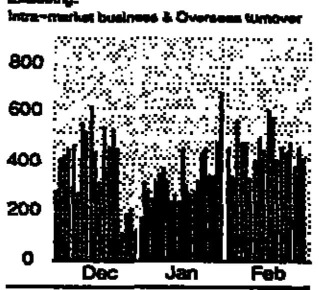
Glaxo was 20 off at one stage and ended the day a net 11 down at 916p, again on good turnover which totalled 2.8m. There was vague talk, widely disbelieved by analysts, that the company was interested in a large US acquisition.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



ICI recovered from early weakness in the wake of analysts' caution to end unchanged at 996p. The day's low was 967p and volume was a busy 3.3m.

Other internationals to lose ground included Fisons, down 5 at 421p, Reuters, 7 softer at 800p, BOC, 8 weaker at 558p, and Unilever, which closed 5 down on balance at 705p.

Building shares were bullish following the announcement of a further cut in interest rates and a report from Kuwait's central bank that the UK would be allocated 22 per cent of the country's urgent rebuilding contracts.

RMC, the world's biggest producer of ready mixed concrete, rebounded 7 to 708p. It had fallen on the previous day as investors switched into a new convertible Eurobond.

Taylor Woodrow climbed 17 to 282p and Rolbert M. Douglas 32 to 450p. Pilkington, the glass manufacturer, gained 5 to 193p on 3.4m turnover. It was helped by anticipation of good news from a visit yesterday by analysts to the company's German plant.

Water issues were strong with the exception of North West Water, which eased a penny on turnover of 2.5m – there was one large placing of 1m shares at 304½p. The slide followed a downgrading by County NatWest, which is broker to the company.

County moved its 1991 profits forecast from £220m to £212m and its 1992 estimate from £250m to £235m.

Severn Trent picked up 9 to 284p in anticipation of a dinner hosted by County NatWest for the company and potential institutional investors.

Wessex Water rose 15 to 365p as investors continued to be attracted by the 15 per cent stake held by the US company Waste Management. The Water Package was up 53 to £2993.

Marks and Spencer eased after UBS Phillips & Drew reiterated its bearish stance. UBS said retailers are still finding trading tough in spite of reductions in interest rates. Marks closed a penny lower at 246p.

Next rose 4 to 32½p after Otto Versand, of Germany, Fine Art Developments and a third unnamed party announced that they had taken a 3.02 per cent stake. Next has recommended that its shareholders accept an offer from Otto Versand for Grattan, its mail order business. Sears, which has also been mentioned as having an acquisitive interest in Next, moved up 4 to 94p.

Morrison Supermarkets put on 4 to 219p after Hoare Govett said that if its accountancy procedures were standardised with J. Sainsbury, which is on a similar rating, it would have higher pre-tax profits.

Eurotunnel moved ahead 23 to 518p on strong buying in Paris of the securities quoted in France. P & O added 15 at 585p following the reduction in interest rates and on hopes of further cuts. James Fisher, the shipping company, advanced 8 to 96p, a gain of 21 so far this week, which prompted the company to issue a statement noting the share price rise but saying it knew of no reason for the increase.

Maxwell Communication shed 4 to 139p as traders spoke of a line of almost 1m shares on offer from a Boston-based manager of pension assets.

Analysts at S.G. Warburg published a 62-page review of media stocks. It forecast real growth in advertising spending in 1992 and made 17 buy or add recommendations. Among those to show good good gains yesterday were Lopex, 11 better at 56p, Michael Page, 4½ higher at 34p, and Gold Greenlees Trott, 2 firmer at 105p.

Trading was once again heavy in Saatchi & Saatchi in the wake of the company's rights issue announcement made last week. The shares moved around the previous night's closing level of 17p before ending at 17½p. Turnover amounted to 9.6m.

Confidence in British Aerospace continued following the announcement of results on Tuesday and the stock was one of the day's best performers, soaring 37 to 611p on turnover of 7.6m.

On the back of that optimism Rolls-Royce rose 9 to 161p with a turnover of 5.4m.

A large placing of British Steel stock by securities house S. G. Warburg of between 3m and 5m shares, which is double-counted for the final tally, accounted for much of the 16m turnover. The shares picked up a penny to close at 130p.

TI slipped back 4 to 499p. Analysts said investors were taking profits after the stock had been pushed up ahead of figures due out shortly.

Siebe, which has moved ahead sharply after a long period of undervaluation, gained 10 to 391p.

While property leaders languished, small stocks continued to attract selective buying. Rises were exacerbated by shortages of stock, leaving Bilton 20 higher at 395p, Daejan 20 up at 815p, Ewart 9 stronger at 69p and McInerney 5 ahead at 29p. Daejan has risen 50 over two sessions.

Middle-sized issues were hurt by the cut in Land Securities' net asset value by one broker. Greycoat retreated 7 to 371p and Great Portland Estates receded 4 to 237p.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
AGT	[illegible]	308	+4	Courtaulds	784	371	+2	MEPC	1,700	526	-2	Smith (W H) A	1,800	353	+13
ASDA Group	5,100	134		Dalgety	332	380	+5	Manpower	2,300	87½	+½	Smith & Nephew	4,400	105½	+1
Abbey National	2,300	281		Dixons	2,700	175	+2	Manweb	581	309	+6	SmKl Beecham	2,100	688	+4
Albert Fisher	2,800	123	+1	ECC Group	98	381	-2	Marks & Spencer	9,500	246	-1	SmKl Beecham Uts	115	3008	+3
Allied-Lyons	2,100	527	+3½	Eastern Elect.	1,000	166½	+1½	Maxwell Comms.	2,100	139	-4	Smiths Inds.	229	357	+1
Amstrad	2,900	67		East Midland Elect.	1,300	178	-½	Midland Bank	5,800	181	+4	Southern Elect.	347	173	+2
Anglian Water	616	294	+6	Enterprise Oil	1,800	584	+19	Midlands Elect.	1,100	175½	+1½	South Wales Elect.	2,400	203	+11
Argos	131	273		Eurotunnel Units	2,000	518	+25	NatWest Bank	8,900	308	+17	South West Water	523	304	+6
Argyll Group	2,900	276	-1	FKI	4,400	46	+1	Next	9,800	32½	+4	South West. Elect.	404	177	
Ass. Brit. Foods	565	480		Ferranti	5,800	13	+1½	North West Water	2,500	302	-1	Southern Water	145	283	+5
BAA	1,100	408	+8	Fisons	3,000	421	-5	Northern Elect.	280	192	+1	Standard Chartd.	898	279	+6
BAT Inds.	7,300	603		Gen. Accident	2,100	545	-6	Northern Foods	734	386	+4	Storehouse	3,400	110	-1
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	[illegible]	308		ICI	3,300	996		Rolls Royce	5,400	161	+9	United Biscuits	389	374	+3
BP	5,000	327	+7	Inchcape	131	280	+4	Rothmans	513	790	-2	Utd. Newspapers	157	331	-3
British Steel	16,000	130	+1	Kingfisher	1,200	428	+9	Ryl Bk Scotland	573	188	+2	Water Package Uts.	0	£2993	+53
British Telecom	5,450	307½	+2½	Ladbroke	3,100	259	+2	Royal Insurance	584	445	+6	Wellcome	459	953	
Bunzl	1,600	78		Land Securities	1,600	540	-7	Saatchi	9,800	17½	+½	Welsh Water	1,000	324	+5
Burmah Castrol	504	545	+3	Laporte	340	544		Sainsbury	2,600	328	-4	Wessex Water	225	365	+15
Burton	2,300	93	+2	Legal & General	1,100	420	-1	Scottish & New.	1,000	390	+9	Whitbread 'A'	461	465	+6
Cable & Wire	2,700	554	+7	Lloyds Abbey	1,400	382	+10	Sears	2,800	94	+4	Wiggins Teape	1,500	207	-1
Cadburys	4,200	367	-2	Lloyds Bank	5,300	340	+12	Sedgwick	5,300	237	-2	Williams Hldgs.	1,400	271	+1
Calor Group	32	228	+1	LASMO	4,100	368	+13	Seeboard	414	174	+1½	Willis Corroon	868	288	+9
Carlton Comms.	1,300	413	+1	London Elect.	1,100	184	+3	Severn Trent Water	1,200	284	+9	Wimpey	1,700	197	-1
Coats Viyella	2,400	117	+1½	Lonrho	1,000	227	+3	Shell Transport	6,600	464	+10	Yorkshire Elect.	1,100	197	+2
Comm. Union	888	527	+11	Lucas	4,100	156	+2	Siebe	705	391	+10	Yorkshire Water	823	303	-1
Cookson	1,600	132	+10	MB Caradon	627	190		Slough Ests	568	246	-7				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

EQUITY futures rallied strongly yesterday following the half percentage point reduction in UK interest rates, and the upward pressure had not abated by the close.

The March FT-SE 100 index had opened weaker and there were signs that the expiry today of the February FT-SE index options may have encouraged some selling.

However, the cut in rates along with a shortage of stock in the underlying market triggered a powerful rally. March moved from a low of 2,320 to a high of 2,380, before eventually closing at 2,375, a rise of 38 points. In after-hours dealing it added a further 5 Footsie points at 2,380.

The futures market continued to indicate further gains on the stock market as its lead or premium over the spot FT-SE index widened. At the close, the March index was trading 32 points above the spot index, compared with 15 at the previous close.

Brokers calculate that once an estimate of future dividend payments and the cost of finance are made, March should only trade 5 points above the spot index.

As well as business ahead of the expiry of the February FT-SE index, the options market also saw a large seller of Asda April 110 calls. The Racal August 200 calls featured as its shares rallied after a broker's recommendation.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (97).
BRITISH FUNDS (3) CORPORATION LOANS (2) AMERICANS (1) BANKS (4) BREWERS (3) BUILDINGS (13) CHEMICALS (1) STORES (8) ELECTRICALS (4) ENGINEERING (2) FOODS (7) INDUSTRIALS (17) BTR Warrants 1994/95, Berle, Baynes (Chas.), Boots, British Aerospace, Do. Cnv Pref., Charter Cons., Creighton Naturally, Elan Corp., Kalon, Low & Bonar, Seton Healthcare, Silentnight, SmithKline Beecham A, Spring Ram, Tomkins 6¼pc Prf., Vinten, INSURANCE (1) PAPERS (2) PROPERTY (2) TRUSTS (14) WATER (1).
NEW LOWS (16).
STORES (2) FOODS (1) INDUSTRIALS (4) Marling, Mayborn, Orliame, Tubular Edgington, LEISURE (1) PAPERS (1) PROPERTY (4) TEXTILES (1) TRUSTS (2).

LONDON SHARE SERVICE

BRITISH FUNDS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
46⅞	35⅝	CPC Intl. 25c	42⅛xd	+⅛	$2.00	–	2.4
930p	358p	California Engy	592p	+4		–	–
37⅛	23⅛	Campbell Soup 15c	[illegible]	[illegible]	$1.16	–	1.6
[illegible]							

CANADIANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

APPOINTMENTS

Finance director of BOC

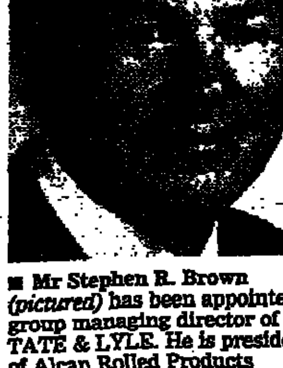
Mr Ian Clubb has been appointed finance director of BOC GROUP from March 1, and joins the board at its meeting on March 14. He has been deputy chief executive and group finance director of British Satellite Broadcasting; group managing director and chief executive of Carless; and finance director of Woodside Petroleum.

■ NURDIN & PEACOCK has appointed Mr Tony Hopkins to the main board. He is trading director of Nurdin & Peacock Cash & Carry.

■ INTERNATIONAL OIL INSURERS, London-based specialist oil and petrochemical insurance pool, has appointed Mr S.A.J. Hill as deputy general manager from April 1. He is general manager of NRG Fenchurch Insurance Co.

■ Mr Roy Brook has been appointed managing director of BLUE CHIP CUSTOMER ENGINEERING, Bedford. He was business controls manager, southern region, IBM.

■ Mr Michael Grice and Mr Graham Cole, associate directors, have been promoted to directors of TRAFALGAR HOUSE CONSTRUCTION MANAGEMENT.



■ Mr Stephen R. Brown *(pictured)* has been appointed group managing director of TATE & LYLE. He is president of Alcan Rolled Products Company, and a director and executive vice president of Alcan Aluminium Corporation, Alcan's wholly-owned US subsidiary. Mr Brown takes up his new post in April, and will be based in London.

■ Mr Tim Brookes, chairman of IN SHOPS, has temporarily assumed the role of chief executive following the sudden death of Mr John Hoesli who was group chief executive and managing director of major subsidiary In Shop Centres.

■ Mr Peter Jones has been appointed group sales and marketing director of BIFFA HOLDINGS, a BET company. He is sales and marketing director of Biffa Waste Services. Ms Libby Glare-Williams becomes assistant company secretary. She was company secretary at Shanks & McEwan (Southern).

J.C. Bamford research director

Mr Bob Pendlebury has been appointed research and development director of J.C. BAMFORD EXCAVATORS, Rocester. He was manager of the vehicle engineering department at Ford Motor Company, responsible for the development of commercial vehicles, and was also special vehicle engineering manager for light trucks with responsibility for special police, ambulance, AA and other custom-made vehicles.

■ LEHMAN BROTHERS INTERNATIONAL has appointed Mr R. Vincent Lynch, Jr, as a managing director in its investment banking division based in London. He was a managing director with J.P. Morgan.

■ Mr Andrew Robertson, marketing director of Goblin, has added European marketing director to his role, covering domestic products of the Shop-Vac European Group. SHOP-VAC CORPORATION, US, is the parent company. Mr Tim Wright has been appointed European marketing director for outdoor and DIY products. He joins from McCulloch Corporation, recently acquired by Shop-Vac.

■ XEROX ENGINEERING SYSTEMS has appointed Mr Pat Curran as sales director and Mr Bob Raithby as customer service director.

■ Following a re-organisation Mr Robin Hodgson *(pictured)*, managing director, GRANVILLE & CO, has been promoted to chief executive and joint deputy chairman. He will head the private client group. Mr Nicholas Moy, deputy managing director, becomes joint deputy chairman. Mr Charles Arnold, head of the corporate finance department, has been appointed head of the investment banking group.

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BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro F15	£9¼	+⅛	Q28%	2.1	8.9	5.3
303	121	ANZ SA1	143	–1	Q38c	1.9	10.8	4.9
267	172	Abbey National 10p	261	.....	5.7	4.3	2.9	10.6
°274	126	Allied Irish Ord	168	+4	†Q40%	3.3	5.3	7.6
85	47	Anglo Irish	63	+3	Q18.6%	2.3	6.6	8.3
93	43	Ansbacher (H.) 1p	46	.....	2.5	1.3	7.2	13.2
£71½	£32¼	Bancaire Cie Fr100	£52	+½	MQ12¼%	–	2.5	–
£22⅛	£12⅝	Banco Bilbao Viz	£16½	–¼	Q49.1%	2.7	5.0	7.5
£58¾	£21¾	Banco de Santander	£28⅞	.....	Q28.7%	2.3	4.2	10.0
286	130	Bank Ireland Ir£1	179	+5	Q14.7%	2.9	7.4	6.3
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)£1	350	.....	16.0	–	6.1	–
134	100	Bank Scotland	131	+4	†4.55	3.4	4.6	8.4
110	83¼	Do. 9¼pc Irrd Pf £1	103½	.....	9¼%	–	11.9	–
107¼	99½	Do. 9¾pc Irrd Pf £1	107½	.....	9¾%	–	12.1	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	400	+9	†h19.57	3.5	6.5	5.5
22	9	Benchmark 20p	9	.....	0.75	–	11.1	–
335	195	Brown Shipley £1	224	.....	‡12.0	2.2	‡	7.2
°457	285	Cater Allen £1	457	+6	F24.5	–	7.1	–
179	29	Chancery	36	.....	‡9.0	2.7	‡	1.4
£23⅛	£14	Commerzbk DM10	£18¼	–⅛	Q18%	–	3.4	–
£13¼	620	Dai Ichi KBk Y50	881	+6	Q17%	6.2	0.4	41.6
°£313	£189	Deutsche Bk DM50	£224⅞	+1⅞	Q28%	–	2.1	–
£20¾	£14⅛	Espirito Santo	£16¼	–⅛	Q75c	5.1	2.3	8.6
253	152	First Nat. Fin. 10p	185	–4	13.0	1.2	9.4	(11.0)
121	78	FNFC 6.3pc Cv. Pf £1	99	+1	6.3%	–	8.5	–
£13¼	633	Fuji Bank Y50	980	–3	†Q17%	6.9	0.3	41.7
340	262	Gerrard & National	340	+3	19.0	–	7.5	–
154	67	Guinness Mahon 10p	67	.....	1.45	–	2.9	–
328	194	Hambros 20p	273	–1	†11.5	–	5.6	–
128	88	Do. 7.5pc Cv Pf £1	114	.....	7½%	–	8.8	–
53½	29	HK & Shang. HK$2.50	39	+½	KQ3%	–	7.1	–
478	373	Joseph (Leo) £1	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p	135	+2	10.25	–	10.1	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
63	35	Central Pacific	35		–	–	–
7½	2½	Croesus Mining N.L.	3		–	–	–
34	16	Delta Gold 25c	20		–	–	–
104	27	Dominion Mining	30		†Q4c	7.8	5.6
13	11	Doral Resources	13	+1	Q1c	–	3.1
8	1½	Dragon Mining	1½		–	–	–
164	20	Emperor Mines	21	–1	–	–	–
3	1½	Endeavour 20c	2		–	–	–
62	19½	GM Kalgoorlie 5c	20½	+1	–	–	–
86	30	Gwalia Cons. 20c	30		Q8c	1.6	10.9
78	21	Indonesian Diamond $2	39	–2	–	–	–
6½	1½	Jason Mining 20c	1½		–	–	–
6	0½	Julia Mines NL	1		–	–	–
175	69	Kidston Gld Min 25cts	76	+3	Q38c	♦	24.0
136	40	Meekatharra 25c	52	+1	–	–	–
125	9	Metana Minerals N.L.	11		–	–	–
119	56	MIM Hldgs 50c	63		sQ10c	2.0	‡
36½	2	Minops Australia 50c	3		–	–	–
6	1	Mount Burgess 20c	1½		–	–	–
129	38	Normandy Res NL	45	+1	–	–	–
145	69	Nth Bkn Hill Petn 50c	78	–1	Q11c	6.5	5.9
114	60	Pancont'l 25c	60		Q3.5c	2.7	2.4
9	2½	Paragon Resources NL	2½		–	–	–
118	49	Pasminco	51		–	–	–
7	0½	Pelsart Res	0½		–	–	–
170	106	Placer Pac. 30cts	106		–	–	–
18½	8	Poseidon Metal Aust 25c	12		–	–	–
458	240	Renison 50c	263		Q34c	1.9	5.5
2¼	0¼	Samson Exploration	1		–	–	–
303	166	Sons Gwalia NL	197	+2	sQ60c	1.9	12.9
27	1¼	Southern Pacific	14		–	–	–
15	2	Stockbridge Ltd	3		–	–	–
2½	0¼	Swan Res 20c	0½		–	–	–
9	1	Tuckanarra Mins	1		–	–	–
332	152	Westn. Mining 50c	188	–3	†Q30c	1.8	6.6
7½	1	Westralian Res Pro 20c	2		–	–	–

Tins

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
35	20	Ayer Hitam $M1	20		Q17½c	–	16.4
75	45	Gopeng Berhad M$0.50	45		Q11c	2.6	4.6
67	27	Malaysia Mng 10c	37		Q7c	2.3	3.6
160	130	Petaling $M1	150		Q180c	–	22.5
90	90	Tanjong Tin 15p	90		–	–	–

Miscellaneous

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
190	45	Anglesey Mining 5p β	45		–	–	–
53	28	Andaman Resources	44		–	–	–
17	4½	Anglo-Dominion	7		–	–	–
19	6	Bormin Exploration γ	6	–1	–	–	–
37	9½	Butte Mining 10p α	9½		–	–	–
25	14	Celtic Gold γ	15		–	–	–
44	3½	Coloy Mines	11		–	–	–
122	23	Cons. Murch 10c	30		Q30c	5.5	24.5
26	2	DRX Inc.	6		–	–	–
12¼	7	Dana Exploration	11		–	–	–
65	21	Eglinton Exp. Ir50p γ	21		–	–	–
16	0¼	Do Warrants γ	0¼		–	–	–
24½	6½	Ennex Int. Ir10p γ	7½	+½	–	–	–
98	20	Europa Minerals 2p α	24		1.0	–	5.6
45	3½	Feltrim Min. Ir20	5	+1½	–	–	–
86	5½	Geevor β	6½		–	–	–
55	23	Glencar Exploration γ	30	–1	–	–	–
£10¼	£3½	Hemlo Gold Mines	£4¼		Q$20c	–	2.4
43	13	Greenwich Res 5p α	23		–	–	–
£14⅞	£7½	Homestake Mining $1	£8¼	+¼	Q20c	–	1.3
62	22	Ivernia West γ	41	+1	–	–	–
97	43	Kells Mins Ir5p γ	44		–	–	–
49½	9	Kenmare γ	9½	+½	–	–	–
45	15	Navan Resources γ	15		–	–	–
20¼	7	New Sabina Res C$1	7	–3	–	–	–
457	52	Northgate Expl. C$1	61	+3	–	–	–
36	12	North West Exp	12		–	–	–
39¼	2	Nor-Quest Res.	6		–	–	–
129	90	Oryx Gold Hldgs	96		–	–	–
57	11	Ovoca Gold IR 2p γ	15	+2	–	–	–
93	40	Plateau Mining 20p β	40		–	–	–
605	392	RTZ 10p α	521	+4	†18.5	2.5	4.7
14	4½	Thorco Res Inc	6		–	–	–
18	5	Vizcaya Hldgs 5p β	8		–	–	–
178	130	Young Group 10p β	132		†7.8	2.7	7.9

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	675	.....
Finlay Pkg 5p β	30	.....
Holt (Jos) 25p β	1313	.....

IRISH

Cap 8½% Ln. 1991	£99½	.....
9pc Cap Ln. 1996	£97¼	.....
Fin. 13% 97/02	£114	.....
Arnotts	160	.....
Carrol (P.J.)	154	.....
Helton Hldgs. γ	42	–1
IRG	130	.....
United Drug	150	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	48
Grand Met.	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd.	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds.	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect.	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	51
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs.	5½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petm.	3
Brit Petroleum	27
Burmah Castrol	46
Conroy Petm	15
Gaelic Res.	1½
Premier	7
Shell	37
Tuskar Res.	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obta[in] Unit Trust Code Booklet ring the FT Cityline help desk on 07[...]

AUTHORISED UNIT TRUSTS

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	46.89	47.26xd	50.27		5.23

Martin Currie Unit Trusts Ltd (0985)H
48 Melville St, Edinburgh EH3 7HF Dlng: 031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	89.92	91.24	96.85	+0.07	0.44
Income & Growth	5¼	56.71	57.87xd	61.43	-0.23	5.32
European (z)	5¼	52.79	53.19xd	56.46	-0.3	1.26
Nth American (z)	5¼	32.44	32.44	34.43	-0.16	1.52
Intl Growth(9-1)	5¼	56.67	57.79	61.34	+0.01	0.82
UK Growth	5¼	50.56	51.26	54.41	+0.08	2.63
Intl Income	5¼	44.90	45.44	48.23	-0.05	6.19
High Yield	5¼	43.58	44.27xd	46.99	-0.17	7.32
Charities	5¼	86.80	88.07xd	93.49	-0.51	5.99
Japan	5¼	37.20	37.20	39.49	+0.1	–

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth (4-1)	6	64.06	64.06	68.51	+0.42	3.61
UK High Income	6	33.04	33.04	35.34	-0.03	5.72

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Avon Equity	6	85.93	87.30xd	92.87	+0.27	3.98

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	28.31	28.31	30.19	-0.13	1.69
(Accum Units) ♥	5¼	30.30	30.30	32.32	-0.13	1.69
Australian ♥	5¼	149.3	150.7xd	161.6	-0.80	3.40
(Accum Units) ♥	5¼	168.2	169.7	182.0	-0.90	3.40
Conscience	5¼	47.04	47.92	51.14	+0.14	1.53
(Accum Units)	5¼	49.33	50.26	53.63	+0.14	1.53
European	5¼	135.5	135.5	144.5	.....	1.08
(Accum Units)	5¼	143.0	143	152.5	-0.10	1.08
Extra Income	5¼	62.62	62.62	66.83	+0.19	9.14
(Accum Units)	5¼	84.36	84.36	90.03	+0.25	9.14
Far East Gth Acc ♥	5¼	103.0	103.0	110.1	+0.40	0.28
Gilt & F.I.	5¼	51.2	51.2xd	54.2	-0.07	9.24
(Accum Units)	5¼	107.80	107.8	114.0	-0.10	9.24

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

OTHER UK U[NIT TRUSTS]

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H

Charlton Pl, Andover Hants SP10 1RE

Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Triton Fd Mngrs Ltd (1000)H

United Charities Unit Trusts (1000)H

Wardley Unit Tst Mngrs Ltd (1300)F

Waverley Unit Tst Mngmt Ltd (1000)H

Wessex Asset Management (1330)H

Whittingdale Unit Tst Mngmt Ltd

Willbro Financial Services Ltd (0905)F

Woolwich Unit Trust Managers Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (1700)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Investment Fund

CAF/INVEST–Charities Aid Foundation

COIF–Charities Official Inv Fdm

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Funds in Court

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Acuma Life Assurance Ltd

AEtna Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc–Contd.

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insur./Midland Assur.

Eagle Star Life Assurance Co Ltd

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Graham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Guardian Royal Exchange–Contd.

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Merchant Investors Assurance Co Ltd–Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	98.7	103.9	+0.2	-
Pension Managed Fd	94.3	99.3	+0.2	-
Life Deposit Fd	104.8	110.3	----	-
Pension Deposit Fd	109.0	114.7	----	-

National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	104.2	113.9	-0.2	-
Managed Growth	127.4	139.3	-0.1	-
Managed Opportunity	123.4	135.7	-0.1	-
NFMC Target Financial	94.9	102.1	-0.2	-
Pension Funds				
Managed Cautionary	112.4	122.9	-0.3	-
Managed Growth	133.2	146.4	-0.2	-
Managed Opportunity	125.9	137.6	-0.2	-
NFMC Target Mngd Pen	1407.1	1529.5	+2	-

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	151.6	159.6	+0.9	-
UK Equity	158.2	166.6	+2.1	-
Overseas Equity	124.2	130.8	-0.4	-
Fixed Interest	142.5	150.1	-0.6	-
Property	130.1	137.0	-0.6	-
Index Linked	144.3	151.9	-1.2	-
Deposit	151.3	159.3	+0.4	-
With Profits (B)	126.5	133.2	+0.2	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	329.2	346.6	+0.5	-
UK Equity	414.2	436.1	+1.3	-
Overseas Eq	317.0	333.7	+0.1	-
Americas	245.6	258.6	-0.6	-
Far East	333.5	351.1	+0.4	-
Property	193.9	204.2	-0.2	-
Fixed Int	254.0	267.4	-0.3	-
Indexed Gilt	150.3	158.3	-0.1	-
Deposit	177.2	186.6	(2)	-
Pension Fund (Accum Units)				
Managed	461.7	486.0	+0.8	-
UK Equity	539.1	566.5	+1.5	-
Overseas Eq	524.6	552.3	+0.9	-
Americas	323.5	340.6	-1.1	-
Far East	565.3	595.1	+2.7	-
Property	242.9	255.7	-0.2	-
Fixed Int	311.6	328.0	-0.8	-
Indexed Gilt	165.7	174.5	-0.1	-
Deposit	246.2	259.2	+0.1	-
NPI Pension Management Ltd				
Managed Fund	946.4	963.3	----	-

Prices Feb 1 Next dealing Mar 1

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	67.7	71.3	--	-
Stock Market Mngd Fund	65.1	68.5	--	-
Equity Fund	73.5	77.4	---	-
International Fund	57.4	60.4	-0.1	-
European Fund	63.3	66.6	-0.1	-
North American Fund	61.4	64.7	-0.4	-
Pacific Fund	61.7	65.0	----	-
Property Fund	85.8	90.4	+0.1	-
Fixed Interest Fund	57.8	60.9	+0.1	-
Index linked Sec Fund	60.8	64.0	--	-
Deposit Fund	68.0	71.6	----	-
NUAM Retirement Plans				
Mixed Fund	73.4	77.2	----	-
UK Ordinary Share Fd	85.2	89.7	+0.2	-
International Fund	61.1	64.3	-0.2	-
Property Fund	83.0	87.4	+0.1	-
Fixed Interest Fund	69.7	73.3	----	-
Index Linked Sec Fund	64.5	67.9	+0.1	-
Deposit Fund	79.8	83.9	----	-

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	146.5	155.0	+0.5	-
Accum Equity	208.0	219.5	+0.5	-
Accum Managed	214.5	226.5	----	-
Accum Five Star	159.0	168.0	----	-
Accum World	115.0	121.5	----	-
Accum Lifetime	106.6	106.6	+0.2	-
Pens Acc Equity	222.0	234.5	+1.0	-
Pens Acc Managed	263.5	278.0	+0.5	-
Pens Acc Intl	190.5	201.0	-0.5	-
Pens Acc Deposit	192.5	203.0	+0.5	-
Pens Acc Five Star	171.5	181.0	----	-

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	211.4	223.0	+0.3	-
UK Fixed Int Acc	168.4	177.7	+0.1	-
Intl Equities Acc	162.9	171.9	----	-
UK Managed Acc	164.4	173.4	+0.1	-
Property Acc	225.4	237.8	-1.0	-
Money Acc	126.1	133.1	----	-
Special Market Acc	125.8	132.8	+0.3	-
Japan Equity Acc	99.8	105.3	+1.0	-
North American Acc	93.5	98.7	-0.3	-
Pacific Acc	84.4	89.1	+0.2	-
Technology Acc	103.4	109.1	-1.4	-
Nat Resources Acc	47.8	50.5	+0.4	-
European Acc	96.1	101.4	-0.5	-
Residential Prop Acc	95.7	101.0	----	-
Swiss Equities Acc	33.4	35.3	-0.6	-
Hong Kong Acc	54.0	57.0	----	-
UK High Inc Eq Acc	70.3	74.2	+0.1	-
Int Fixed Interest Acc	54.7	57.8	+0.1	-
Int Managed Acc	53.4	56.3	-0.1	-
HIP Managed Acc	105.9	111.7	----	-
HIP Managed II Acc	93.4	98.5	+0.1	-
HIP Managed III Acc	-	-	----	-
Total Investment Bond				
UK Equity Initial		144.3	+0.2	-
UK Fixed Int Initial		115.2	----	-
Intl Equities Initial		110.6	----	-
UK Managed Initial		112.5	+0.1	-
Property Initial		156.3	-0.7	-
Money Initial		86.7	----	-
Special Market Initial		98.2	+0.2	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND

ISLE OF MAN

JERSEY

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,964	2,993		-
New Generation Fd $	$22.67	23.31		-
Japan Index Alpha	[illegible]	[illegible]	-	-
Jap Sector Rotation	Y7,411	[illegible]		-
Jap Cap Gwth CB	[illegible]	[illegible]		-
Sarasin Funds Mngmt (Guernsey) Ltd				
GlobalSar-Fergus C	£12.24	13.14		
GlobalSar-Fergus US$	$23.84	25.59		-
GlobalSar-Fergus SFr	SFr30.51	32.75		-
Saudi International (Guernsey) Ltd				
Intl Bond	$10.67	10.85	-0.04	-
Intl Dollar	$10.40	10.41		-
Intl Equity	$11.66	12.07	-0.13	-
Fgnsec High Income	$91.96	92.14	+1.22	-
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.3077	13.0125		-
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$13.62	21.69		-
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$752.05			
Fixed Income Shares	$874.75			-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	[illegible]		-0.04	-
Yamaichi ISS Fund	$8.05		-0.06	-
Yamaichi CB Plus Fund	$6.82		-0.06	-
Thai Inv Fund	$10.97		-0.04	-

IRELAND (STB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u) 29 Kildare Street, Dublin 010 353 1760630						
GAM Universal US Dlr Acc	5-		113.47			-
GAM Universal US Dlr Inc	5-		113.47			-
GAM Universal DM Acc	DM-		110.09			-
GAM Universal DM Inc	DM-		110.39			-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		5-	0.99	1.06		-

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mngrs (Jsy) Ltd (1000)F PO Box 63, Bond Street, St Helier, Jersey 0534 76029						
[illegible]						
INVESCO MIM International (Jersey) Ltd PO Box 271, St Helier, Jersey 0534 73114						
[illegible]						
Lloyds Bank (CI) U/T Mngrs. PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst Gilt			9.535	9.784		11.45
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd PO Box 26, St Helier, Jersey 0534 37788						
[illegible]						

For MIM see INVESCO MIM

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Royal Trust Jsy Fd Mngt Ltd (1400)F PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd			57.07	59.57		
TSB Trust Funds (CI) PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
[illegible]						

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling weathers rate cut

STERLING LOST a little ground to the dollar and the D-Mark, but generally performed well after the cut in UK bank base rates to 13 per cent.

The pound immediately lost about ½ pfennig to the D-Mark, but after touching a low of DM2.9125 the British currency recovered and at the London close support had held at DM2.9150.

Wholesale rates eased further after the cut, but this was shrugged off by the pound. At the close of London trading sterling had fallen ¼ cent to $1.9170. It had also declined to DM2.9150 from DM2.9200 and to Y253.50 from Y255.00, but had improved to FFr9.9200 from FFr9.9150 and to SFr2.5225 from SFr2.5050. The pound's index finished 0.1 down at 93.8.

Sterling fell below the Danish krone in the European Monetary System, but remained above the lowest placed French franc. The Spanish peseta stayed below its ceiling against the franc as medium and longer dated interbank rates eased on the Madrid money market after the cut in UK rates.

Lower yields are expected at today's tender of Spanish Treasury paper, amid signs that the Bank of Spain is finding difficulty in following a tight monetary policy while interest rates among several other members of the EMS exchange rate mechanism are declining.

French officials have made it clear that as long as the franc is under no pressure against the D-Mark they regard strains within the ERM as a Spanish problem. Paris does not see the franc as weak, but the peseta as too strong.

The franc was little changed against most ERM currencies at the Paris fixing, despite disappointing French economic news. A larger than expected January trade deficit, announced Tuesday, was followed yesterday by a rise in January year-on-year inflation to 3.5 from 3.4 per cent.

A sharp deterioration in Italy's trade performance had little impact on the lira, which remained firm within the ERM. Italy had a deficit of L4.99 trillion in January compared with a surplus of L1.99 trillion in December, but the Bank of Italy bought DM10m at the Milan fixing to prevent the lira rising too sharply against the D-Mark. It was the first intervention by the central bank at a fixing since February 11.

The dollar traded quietly, showing mixed changes. Profit taking continued to weigh on the currency after its recent rally from record lows. There was no attempt to test resistance at DM1.5300 and Y133.00.

At the London close the dollar had improved to DM1.5210 from DM1.5200; to SFr1.3160 from SFr1.3045; and to FFr5.1750 from SFr5.1625, but had fallen to Y132.25 from Y132.75. Its index declined to 61.3 from 61.5.

The Swiss franc weakened, as it lost its status as a safe haven during the Gulf war, and the D-Mark declined against the Japanese yen, falling below support at Y87.00.

£ IN NEW YORK

Feb.27	Latest	Previous Close
£ Spot	1.9190-1.9200	1.9190-1.9200
1 month	1.02-1.00pm	1.00-0.98pm
3 months	2.81-2.78pm	2.88-2.85pm
12 months	8.07-7.97pm	8.45-8.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.27	Previous
8.30 am	94.0	94.2
9.00 am	94.0	94.2
10.00 am	94.0	94.2
11.00 am	93.8	94.1
Noon	93.8	94.2
1.00 pm	93.8	94.2
2.00 pm	93.8	94.1
3.00 pm	93.8	93.9
4.00 pm	93.8	93.9

CURRENCY MOVEMENTS

Feb 27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.8	-18.4
U.S Dollar	61.3	-17.8
Canadian Dollar	102.8	+0.9
Austrian Schilling	110.4	+12.3
Belgian Franc	112.4	-1.5
Danish Krone	110.6	+5.0
D-Mark	120.0	+25.8
Swiss Franc	112.6	+22.0
Dutch Guilder	115.3	+16.8
French Franc	104.3	-12.2
Lira	100.5	-19.1
Yen	133.2	+66.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.26.

CURRENCY RATES

Feb 27	Bank rate %	Special ° Drawing Rights	European † Currency Unit
Sterling	–	0.737552	0.702782
U S Dollar	6.00	1.41905	1.34548
Canadian $	10.26	1.63375	1.54649
Austrian Sch	7	15.1994	14.4329
Belgian Franc	10.50	44.5901	42.2345
Danish Krone	9½	8.26880	7.88046
D-Mark	6.50	2.15979	2.05158
Dutch Guilder	7.75	2.44077	2.31274
French Franc	10¼	7.34429	6.97293
Italian Lira	12½	1612.32	1532.50
Japanese Yen	6	188.379	178.141
Norway Krone	8	8.39368	8.01635
Spanish Peseta	–	134.344	127.726
Swedish Krona	11	7.98074	7.61405
Swiss Franc	6.00	1.85044	1.76728
Greek Drach	19	N/A	220.201
Irish Punt	–	N/A	0.769460

† European Commission Calculations.
° All SDR rates are for Feb.26

OTHER CURRENCIES

Feb 27	£	$
Argentina	18297.8 - 18403.2	9550.00 - 9560.00
Australia	2.4450 - 2.4470	1.2755 - 1.2760
Brazil	428.225 - 429.405	223.500 - 224.250
Finland	7.0375 - 7.0510	3.6780 - 3.6810
Greece	311.35 - 316.35	162.15 - 164.75
Hong Kong	14.9140 - 14.9275	7.7920 - 7.7940
Iran	124.20	63.10
Korea(Sth)	1380.10 - 1402.35	721.60 - 727.20
Kuwait	N/A	N/A
Luxembourg	59.95 - 60.06	31.25 - 31.35
Malaysia	5.1945 - 5.2025	2.7160 - 2.7180
Mexico	5696.25 - 5701.15	2973.00 - 2983.00
N.Zealand	3.1960 - 3.2010	1.6680 - 1.6710
Saudi Ar	7.1680 - 7.2095	3.7490 - 3.7510
Singapore	3.3040 - 3.3115	1.7265 - 1.7285
S.Af (Cm)	4.9050 - 4.9170	2.5645 - 2.5675
S.Af (Fn)	6.0475 - 6.1445	3.1545 - 3.2050
Taiwan	51.95 - 52.05	27.10 - 27.15
U.A.E.	7.0210 - 7.0615	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.726	-4.42	5.80	77
Belgian Franc	42.4032	42.2345	-0.40	1.53	26
Italian Lira	1538.24	1532.50	-0.37	1.51	26
D-Mark	2.05586	2.05158	-0.21	1.34	23
Dutch Guilder	2.31643	2.31274	-0.16	1.29	15
Irish Punt	0.767417	0.769460	0.27	0.86	-5
Danish Krone	7.84195	7.88046	0.49	0.63	-16
Sterling	0.696904	0.702782	0.84	0.28	-17
French Franc	6.89509	6.97293	1.13	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9105 - 1.9240	1.9165 - 1.9175	1.03-1.01cpm	6.38	2.82-2.79pm	5.85
Canada	2.1985 - 2.2130	2.2060 - 2.2070	0.70-0.61cpm	3.56	1.61-1.47pm	2.79
Netherlands	3.2820 - 3.3025	3.2825 - 3.2925	1¼-1⅛cpm	4.33	3¼-3pm	3.80
Belgium	59.80 - 60.35	59.95 - 60.05	22-19cpm	4.10	58-51pm	3.63
Denmark	11.1845 - 11.2100	11.2000 - 11.2100	3½-3orepm	3.41	7¼-7pm	2.63
Ireland	1.0900 - 1.1050	1.0930 - 1.0940	0.29-0.20ppm	2.69	0.67-0.46pm	2.07
Germany	2.9125 - 2.9270	2.9125 - 2.9175	1⅛-1pfpm	4.37	2¾-2⅝pm	3.77
Portugal	253.60 - 255.95	254.00 - 255.00	13-28cdis	-0.97	53-122dis	-1.38
Spain	181.10 - 182.20	181.10 - 181.40	24-40cdis	-2.12	55-73dis	-1.41
Italy	2172.15 - 2190.55	2178.25 - 2179.25	2-parlirepm	0.55	3-1pm	0.37
Norway	11.3850 - 11.4485	11.4250 - 11.4350	2½-2orepm	2.36	5¾-5⅛pm	1.90
France	9.9050 - 9.9585	9.9150 - 9.9250	3⅜-3⅛cpm	3.93	8¼-7¾pm	3.25
Sweden	10.8145 - 10.8815	10.8300 - 10.8400	1¼-1orepm	1.25	3⅛-2⅝pm	1.06
Japan	253.00 - 255.30	253.00 - 254.00	1⅛-1ypm	5.03	3⅛-3pm	4.83
Austria	20.47 - 20.61	20.47 - 20.50	8-7gropm	4.39	20⅛-17⅝pm	3.69
Switzerland	2.5130 - 2.5275	2.5175 - 2.5275	1⅛-1cpm	5.05	3⅛-2⅞pm	4.76
Ecu	1.4155 - 1.4180	1.4160 - 1.4170	0.50-0.43cpm	3.94	1.22-1.09pm	3.26

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.00-4.95cpm. 12 Month 8.15-8.05pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9105 - 1.9240	1.9165 - 1.9175	1.03-1.01cpm	6.38	2.82-2.79pm	5.85
Ireland†	1.7465 - 1.7530	1.7515 - 1.7525	0.61-0.56cpm	4.01	1.82-1.72pm	4.04
Canada	1.1480 - 1.1520	1.1510 - 1.1520	0.26-0.29cdis	-2.87	0.87-0.92dis	-3.11
Netherlands	1.7125 - 1.7215	1.7145 - 1.7155	0.31-0.34cdis	-2.27	0.96-1.01dis	-2.30
Belgium	31.25 - 31.45	31.25 - 31.35	5.00-7.00cdis	-2.30	17.00-21.00dis	-2.43
Denmark	5.8425 - 5.8620	5.8425 - 5.8475	1.40-1.70oredis	-3.18	4.75-5.35dis	-3.46
Germany	1.5185 - 1.5275	1.5205 - 1.5215	0.28-0.30pfdis	-2.29	0.87-0.90dis	-2.33
Portugal	132.90 - 133.20	132.90 - 133.00	70-80cdis	-6.77	240-260dis	-7.52
Spain	94.50 - 95.05	94.70 - 94.80	63-66cdis	-8.17	175-183dis	-7.56
Italy	1135.00 - 1140.80	1136.25 - 1136.75	5.30-5.70liredis	-5.81	15.30-16.30dis	-5.56
Norway	5.9370 - 5.9665	5.9600 - 5.9650	1.95-2.30oredis	-4.28	5.95-6.45dis	-4.16
France	5.1600 - 5.1895	5.1725 - 5.1775	1.08-1.13cdis	-2.56	3.46-3.56dis	-2.71
Sweden	5.6420 - 5.6660	5.6500 - 5.6550	2.32-2.67oredis	-5.30	6.90-7.45dis	-5.08
Japan	131.95 - 133.05	132.20 - 132.30	0.15-0.17ydis	-1.45	0.39-0.43dis	-1.24
Austria	10.6975 - 10.7430	10.7220 - 10.7270	1.90-2.30grodis	-2.35	5.90-7.00dis	-2.41
Switzerland	1.3055 - 1.3190	1.3155 - 1.3165	0.13-0.16cdis	-1.32	0.43-0.48dis	-1.38
Ecu	1.3475 - 1.3545	1.3510 - 1.3520	0.31-0.29cpm	2.66	0.95-0.89pm	2.72

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅜ - 13¼	13⅜ - 13¼	13¼ - 13⅛	12 13/16 - 12 11/16	12⅜ - 12¼	11⅞ - 11¾
US Dollar	6⅞ - 6¾	6⅞ - 6¾	7⅛ - 6 15/16	6⅞ - 6¾	6⅞ - 6¾	7⅛ - 6 15/16
Can. Dollar	9⅞ - 9⅝	9¾ - 9½	9¾ - 9½	9 11/16 - 9 9/16	9¾ - 9½	9 11/16 - 9 9/16
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9 - 8⅞	9 - 8⅞	9 - 8⅞	9 1/16 - 8 15/16
Swiss Franc	8¼ - 8	8¼ - 8	8⅛ - 8	8 3/16 - 8 1/16	8 - 7⅞	7⅞ - 7¾
D-Mark	8 15/16 - 8 13/16	9 - 8⅞	9 - 8⅞	9 1/16 - 8 15/16	9 1/16 - 8 15/16	9 1/16 - 8 15/16
French Franc	9 7/16 - 9 5/16	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½
Italian Lira	13 - 11	13½ - 12½	12¾ - 12¼	12½ - 12	12⅜ - 12	12⅜ - 12
Belgian Franc	9⅝ - 9⅜	9⅝ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
Yen	8¾ - 8½	8 5/16 - 8 3/16	8⅝ - 8½	8 3/16 - 8 1/16	7⅞ - 7¾	7½ - 7⅜
Danish Krone	10 11/16 - 10 7/16	10⅝ - 10⅜	10⅝ - 10⅜	10⅝ - 10⅜	10⅝ - 10⅜	10 7/16 - 10 5/16
Asian $Sing	6 15/16 - 6 13/16	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6⅝	6⅞ - 6⅝	7 - 6⅞

Long term Eurodollars: two years 7⅝-7½ per cent; three years 8-7⅞ per cent; four years 8 3/16-8 1/16 per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.917	2.915	253.5	9.920	2.523	3.288	2179	2.207	60.00
$	0.522	1	1.521	132.2	5.175	1.316	1.715	1137	1.151	31.30
DM	0.343	0.658	1	86.96	3.403	0.866	1.128	747.5	0.757	20.58
YEN	3.945	7.562	11.50	1000.	39.13		12.97	8596	8.706	236.7
F Fr.	1.008	1.932	2.939	255.5	10.	2.543	3.315	2197	2.225	60.48
S Fr.	0.396	0.760	1.155	100.5	3.932	1	1.303	863.7	0.875	23.78
H Fl.	0.304	0.583	0.887	77.10	3.017	0.767	1	662.7	0.671	18.25
Lira	0.459	0.880	1.338	116.3	4.553	1.158	1.509	1000.	1.013	27.54
C $	0.453	0.869	1.321	114.9	4.495	1.143	1.490	987.3	1	27.19
B Fr.	1.667	3.195	4.858	422.5	16.53	4.208	5.480	3632	3.678	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
March	90.34	90.45	+0.10	90.45	90.32	9.55	20,259
June	90.61	90.71	+0.09	90.75	90.54	9.29	17,022
September	90.79	90.86	+0.06	90.89	90.72	9.14	4,206
December	90.85	90.96	+0.10	90.99	90.85	9.04	2,115

Estimated volume 17,223 Total Open Interest 43,602

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
February	1696.0	1738.0	+28.0	1738.0	1693.0	6,472
March	1709.0	1753.0	+28.0	1753.0	1709.0	5,942
April	1721.0	1721.0	-16.0	1721.0	1721.0	4
June	-	-	-	-	-	200

Estimated volume 14,071 Total Open interest 12,618

Estimated volume 2356 (1477)
Previous day's open int. 7503 (7106)

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9170	1.9068	1.8890	1.8673	1.8360

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.9070	1.9102	1.9062	1.9118
Jun	1.8810	1.8850	1.8804	1.8848
Sep	1.8610	1.8610	1.8600	1.8644

BASE LENDING RATES

	%		%		%
ABN Bank	13	Co-operative Bank	13	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13	NatWestminster	13
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortgage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	13	Roxburghe Bank Ltd	14½
B & C Merchant Bank	13	Exeter Bank Limited	13½	Royal Bk of Scotland	13
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13	First National Bank Plc.	16	Standard Chartered	13
Bank Credit & Comm	13½	● Robert Fleming & Co.	13	TSB	13
Bank of Cyprus	13½	Robert Fraser & Ptnrs.	13½	Unibank plc	13
Bank of Ireland	13½	Girobank	13	● United Bk of Kuwait	13
Bank of India	13	● Guinness Mahon	13	United Mizrahi Bank	13½
Bank of Scotland	13	● Hambros Bank	13	Unity Trust Bank Plc	13
Banque Belge Ltd	13	Hampshire Trust Plc	14½	Western Trust	13
Barclays Bank	13	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	13½
Benchmark Bank	14	● Hill Samuel	13	Whiteaway Laidlaw	13
Brit Bk of Mid East	13	C. Hoare & Co.	13½	Yorkshire Bank	13
● Brown Shipley	13	Hongkong & Shanghai	13		
CL Bank Nederland	13	● Leopold Joseph & Sons	13		
● Charterhouse Bank	13	Lloyds Bank	13		
Citibank NA	13	Meghraj Bank Ltd	13		
City Merchants Bank	13	McDonnell Douglas Bnk.	13		
Clydesdale Bank	13	Midland Bank	13		
Comm.Bk.of London Plc	13	Mount Banking	13½		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Base rates 13%

WHOLESALE INTEREST rates continued to fall in London yesterday after the Bank of England approved a cut in UK bank base rates.

When the central bank announced its forecast of yesterday's credit shortage it also offered to lend funds to the discount houses at 13 per cent. This was ½ point below the existing lending rate and was immediately followed by cuts of ½ point to 13 per cent in clearing bank base rates.

UK clearing bank base lending rate 13 per cent from February 27, 1991

Three-month interbank then fell to 12 13/16-12 11/16 from 13 1/16-12 15/16 per cent and 12-month money declined to 11 15/16-11 13/16 from 12-11⅞ per cent.

Prices of short sterling futures rose on Liffe. The March contract expires on March 20, one day after the Budget, and at yesterday's close was discounting a base rate of 12⅜ per cent at delivery. March short sterling opened lower at 87.33, but rose to a peak of 87.66, before closing at 87.64 compared with 87.36 previously.

March remained the most active month, but trading also picked up in the June contract. This rose to 88.77 from 88.58, pointing to base rates of 11¼ per cent at delivery.

The Bank of England initially forecast a day-to-day credit shortage of £1,250m on the cash market. Apart from informing the market that the official lending rate had been cut to 13 per cent the authorities also offered an early round of assistance.

In the afternoon the shortage was revised to £1,200m and the Bank of England provided total help of £1,193m, mostly through late lending for seven days to underline the new base rate level.

In early operations the authorities bought £84m bank bills outright in band 2 at 12⅞ per cent. Before lunch another £284m bills were purchased, by way of £3m Treasury bills in band 1 at 12⅞ per cent; £141m bank bills in band 1 at 12⅞ per cent; £3m Treasury bills in band 2 at 12⅞ per cent; and £137m bank bills in band 2 at 12⅞ per cent.

In the afternoon £825m was lent to the market for seven days at 13 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,022m, with the unwinding of repurchase agreements on bills absorbing £334m, a rise on the note circulation £75m and bank balances below target £90m. These outweighed exchequer transactions adding £290m to liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.27) 3 months US dollars: bid 6¼, offer 6⅜ | 6 months US Dollars: bid 6¼, offer 6⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	One month 6.35	Three year 7.24
Broker loan rate	[illegible]	Two month 6.20	Four year 7.44
Fed.funds	[illegible]	Three month 6.22	Five year 7.61
Fed.funds at intervention	[illegible]	Six month 6.29	Seven year 7.87
		One year 6.34	10-year 7.97
		Two year 7.02	30-year 8.15

Feb.27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]-9.00	8.65-9.00	8.90-9.05	8.90-9.05	9.00
Paris	[illegible]	[illegible]	9⅛-9½	9 7/16-9 9/16	9 9/16-9 11/16	9.25
Zurich	[illegible]	[illegible]	-	7⅞-8⅛	-	-
Amsterdam	[illegible]	[illegible]-9.03	-	8.93-9.03	-	-
Tokyo	[illegible]	[illegible]	-	7 13/16-7 15/16	-	-
Milan	[illegible]	[illegible]	-	13⅛-13⅜	-	-
Brussels	[illegible]	[illegible]	-	9¼-9⅜	-	-
Dublin	[illegible]	[illegible]	11 1/16-11 3/16	11-11¼	10⅞-11	-

LONDON MONEY RATES

Feb 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	14	13½	13	12½	12
Interbank Bid	[illegible]	13	13¼	12¾	12¼	11¾
Sterling CDs	[illegible]	–	13⅛	12 13/16	12⅜	11⅞
Local Authority Deps.	[illegible]	13⅞	13 7/16	13	12⅝	12
Local Authority Bonds	[illegible]	–	–	–	–	–
Discount Mkt Deps	[illegible]	13 13/16	13⅛	12⅝	–	–
Company Deposits	[illegible]	–	13½	13 1/16	12 13/16	12 1/16
Finance House Deposits	[illegible]	–	13 7/16	13	12⅞	12
Treasury Bills (Buy)	[illegible]	–	12⅞	12	11 7/16	–
Bank Bills (Buy)	[illegible]	–	12 13/16	12 1/16	11⅝	–
Fine Trade Bills (Buy)	[illegible]	–	13 5/16	12 13/16	12	–
Dollar CDs	[illegible]	–	6.95	6.77	6.77	6.97
SDR Linked Dep. Offer	[illegible]	–	8¼	8⅛	8¼	8¼
SDR Linked Dep. Bid	[illegible]	–	8⅛	8¼	8⅛	8⅛
ECU Linked Dep. Offer	[illegible]	–	9½	9 7/16	9 7/16	9 7/16
ECU Linked Dep. Bid	[illegible]	–	9⅜	9 5/16	9 5/16	9 5/16

Treasury Bills (sell): one-month 12⅞ per cent; three months 11⅞ per cent; six months 11⅛ per cent; Bank Bills (sell): one-month 12 13/16 per cent; three months 11 15/16 per cent. Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Feb 28, 1991. Agreed rates for period Mar 26, 1991 to April 22, 1991, Scheme I: 14.21 p.c. Schemes II & III: 14.63 p.c. Reference rate for period Feb 1, 1991 to Feb.28, 1991, Scheme IV&V: 13.357 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from February 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 11½ per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1990. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES—Gross rate to those quoted from... [illegible]

JOTTER PAD

CROSSWORD

No.7,481 Set by FETTLER

ACROSS
1 Consider what a sign of hesitation means (6)
4 Conventional craft sails back into view (8)
9 Baited line arranged front to back gets the bird (6)
10 Get value, after editing, and publish (8)
11 Measure from which I'd backed away leaves this position (6)
12 Part of the ear, where it's located, might be thumped (8)
13 Leaders of these exceed nine (3)
14 Short root is hard salad plant (6)
17 Having this would make me a lord (7)
21 The common sandwich is near being scrapped (6)
25 A somebody? (3)
26 Hanging around near Brighton gang (8)
27 The way retest is done (6)
28 N. Faldo, tee shot left short, having far from perfect pitch (4-4)
29 Trim, endlessly produced, by way of baubles etc (6)
30 Plays rep acted, incline to the square (8)
31 Duck walked along headless – that's bad (6)

DOWN
1 Exotic sepal covering flower gives enjoyment (8)
2 G & S daring to play Scrooges (8)
3 Drill was once coloured cerise (8)
5 Inn that a Verne novel featured (6)
6 Alight here for a fine game (6)
7 Favoured with a handicap in the limits of Goodwood (6)
8 The latest thing in taste is fashionable (6)
12 Artfully aligned for doing business (7)
15 CO's a brass one.... (3)
16 ....because he is (3)
18 Spring streamed under control (8)
19 Bury Doonican between acts (8)
20 Sinister manipulator shows inferior side (4-4)
22 Locked in silence (4,2)
23 This fine street is a meeting place (6)
24 Is some restraint left in a newly-wed? (6)
25 Where sister is advancing (6)

Solution to Puzzle No.7,480

CANARIES DAGGER / COMMANDO TISSUE / EVENTUAL SHRIMP / UMPIRESHIP / PLANGENTLY / TREATY AMNESIAC / ENTOMB BUNFIGHT / DREARY SESTERCE

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Feb. 26	Feb. 25	Feb. 22	Feb. 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	2864.60	2887.87	2889.36	2891.83	2934.65 (15/2)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	93.83	93.97	94.21	94.39	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1108.78	1127.82	1125.35	1116.89	1127.82 (25/2)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.09	216.17	215.35	216.11	217.62 (11/2)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 2895.30 (2935.89) Low 2840.10 (2865.35)

STANDARD AND POOR'S

	Feb. 26	Feb. 25	Feb. 22	Feb. 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	362.81	367.26	365.65	364.97	369.39 (19/2)	311.49 (9/1)	369.06 (15/2/91)	4.40 (1/6/32)
Industrials	429.98	435.20	432.57	431.51	436.58 (19/2)	364.90 (9/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	27.36	27.82	27.95	27.84	28.80 (13/2)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	198.22	200.50	199.65	199.27	201.40 (19/2)	170.97 (9/1)	201.29 (15/2/91)	4.46 (25/4/42)
Amer Mkt. Value	341.46	342.71	342.01	341.75	343.70 (19/2)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	447.71	451.09	448.95	446.38	451.09 (25/2)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb.22	Feb.15	Feb. 8	year ago (approx.)
Dow Industrial Div. Yield	3.47	3.44	3.57	4.26

	Feb.20	Feb.13	Feb. 6	year ago (approx.)
S & P Industrial div. yield	2.19	2.91	3.01	3.15
S & P Indl. P/E ratio	17.77	17.89	17.39	14.12

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
RJ Nabisco	5,362,700	8½	+ ¼
Boeing	2,838,200	46¼	- ⅜
Phillip Morris	2,691,500	66¼	- 1⅞
LTV Corp	2,674,100	1¼	+ ¼
IBM	2,227,100	129¾	- 3⅞
Norwest CP	1,819,000	24¼	- ¼
Pepsico	1,662,600	32¼	- ¼
Prime Motor	1,538,700	1½	+ ⅜
Baker Hugh	1,521,400	28¼	+ ¼
Gen Electrk.	1,336,000	68½	- 1½

TRADING ACTIVITY

† Volume (Millions)	Feb. 26	Feb. 25	Feb. 22
New York	164.170	193.820	218.760
Amex	12.567	15.721	15.885
NASDAQ	130.464	149.260	177.008
Issues Traded	2,034	2,031	2,018
Rises	429	928	818
Falls	1,154	630	714
Unchanged	451	473	486
New Highs	35	91	106
New Lows	5	3	1

CANADA

TORONTO	Feb. 26	Feb. 25	Feb. 22	Feb. 21	1991 HIGH	1991 LOW
Metals & Minerals	3064.05	3091.80	3108.65	3133.43	3224.35 (18/2)	2632.06 (9/1)
Composite	3421.38	3445.62	3453.28	3471.87	3532.54 (18/2)	3161.95 (16/1)
MONTREAL Portfolio	1805.79	1826.19	1828.56	1835.22	1882.70 (18/2)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 27	Feb. 26	Feb. 25	Feb. 22	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1390.4	1413.4	1412.5	1387.3	1413.4 (26/2)	1204.5 (16/1)
All Mining (1/1/80)	598.4	607.1	612.0	601.4	612.0 (25/2)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	491.52	498.18	505.54	497.56	505.54 (25/2)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5535.79	5580.24	5578.36	5512.45	5580.24 (26/2)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	348.14	349.71	345.28	349.71 (25/2)	302.26 (8/1)
FINLAND						
Unitas General (1975)	402.7	399.5	393.5	387.5	402.7 (27/2)	348.4 (9/1)
FRANCE						
CAC General (31/12/82)	455.65	463.50	463.00	456.37	463.50 (26/2)	394.88 (15/1)
CAC 40 (31/12/87)	1731.02	1712.31	1745.17	1716.88	1745.17 (25/2)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	659.44	663.39	678.31	666.61	678.31 (25/2)	570.48 (15/1)
Commerzbank (1/12/53)	1878.6	1890.1	1935.1	1901.0	1935.1 (25/2)	1612.5 (15/1)
DAX (30/12/87)	1565.52	1598.24	1601.15	1582.52	1601.15 (25/2)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3512.79	3532.43	3520.45	3475.34	3532.43 (26/2)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1378.81	1354.81	1368.56	1333.41	1378.81 (27/2)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	571.65	574.74	582.09	572.66	582.09 (25/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26094.25	26282.96	26462.76	25902.81	26462.76 (25/2)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1936.37	1953.09	1963.44	1922.88	1963.44 (25/2)	1625.00 (17/1)
2nd Section (4/1/68)	2965.25	2971.06	2954.36	2942.84	2971.06 (26/2)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	561.13	563.47	556.62	554.68	563.47 (26/2)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen. (End 1983)	246.7	245.4	248.2	243.9	248.2 (25/2)	221.4 (16/1)
CBS All Shr (End 1983)	180.4	179.4	181.5	178.4	181.5 (25/2)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	676.05	676.97	679.28	676.14	680.58 (14/2)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	966.69	976.33	1006.04	956.02	1006.04 (25/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	389.31	386.61	381.38	380.73	389.31 (27/2)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1029.04	999.0	971.0	975.0	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3209.04	3213.0	3211.0	3194.0	3258.0 (20/2)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	671.71	677.27	692.80	676.10	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	264.08	262.68	267.41	260.24	267.41 (25/2)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1061.1	1056.1	1048.0	1026.2	1061.1 (27/2)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	702.2	695.2	701.9	687.2	702.2 (27/2)	590.4 (14/1)
SBC General (1/4/87)	589.6	584.9	592.3	582.7	592.3 (25/2)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4869.82	4839.46	5012.46	4873.67	5181.98 (21/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	769.13	776.14	734.34	791.64	823.65 (19/2)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	515.2*	514.2	520.7	518.2	524.2 (18/2)	439.1 (16/1)

**Saturday February 23: Taiwan Weighted Price: 4946.52. Korea Comp Ex. 685.39.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 27 February 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Mtrls	21.3m	830	+45	Nippon Oil	9.2m	1,200	-20
M'bishi Ptrchm	14.1m	1,110	+80	Cosmo Oil	8.4m	845	+9
Tokyu	9.7m	1,720	-20	Godo Steel	7.8m	2,220	-10
M'sui Shpbldg	9.6m	646	-4	Canon	7.5m	1,650	+50
Chiyoda	9.4m	2,750	+110	Nippon Lt Mtl	7.0m	821	+21

3:15 pm prices February 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¾	9¼	AAR Corp			7 414	12¾	12⅝	12⅝	−⅛
25¾	21⅞	A L Labs A			18 180	22⅜	22¼	22¼	−⅛
52¼	40⅞	AMP Inc	1.44	0.03	174885	47⅝	46⅝	47⅝	−⅛
60⅞	44¼	AMR			925256	59⅛	57⅝	59¼	+1½
2⅜	1¼	ARX			2 5	1⅝	1⅜	1⅝	
48¾	41½	ASA x	3.00	0.07	12 494	43¾	43¼	43⅝	+¼
47⅞	39¼	Abbott Lab			213546	47	45⅞	46⅞	+1
13	9⅞	Abitibi Pr	0.50	0.04	17 60	12¼	12⅛	12⅛	−⅛
11⅛	10⅜	ACM Gvt In			630	11	10⅞	10⅞	−⅛
9⅝	8¾	ACM GvOpp			96	9¼	9	9¼	+⅛
9	8⅛	ACM Gvl Sp x	0.34	0.04	114	8⅞	8¾	8⅞	
10¾	9⅞	ACM Gvl Se y			390	10½	10⅜	10⅜	
8½	7⅝	ACM Man			613	8⅛	8	8	
12½	11⅞	ACM Managd			96	u12½	12⅜	12½	+⅛
7⅛	4⅞	Acme Cleve	0.40	0.06	19 49	6⅞	6⅝	6⅝	+⅛
6	4⅛	Acme Elect			16 36	5	4⅞	4⅞	−⅛
35⅞	22¾	Acuson			271190	u36⅛	34⅝	36⅛	+2
16¼	14⅛	Adams Expr	0.48	0.03	0 120	u16⅞	16¼	16⅞	+⅛
20	18⅞	Adobe12Pf			37	19⅞	19⅞	19⅝	−⅛
9¼	7½	Adobe Res			23 11	8⅛	8⅜	8⅛	
28½	18	Ad Micro x			235	25	24½	25	+⅜
8¼	4⅝	Ad Micro P	3.00	0.35	136537	8	7⅞	8	+⅜
4⅞	2¼	Advest Grp			2 113	3½	3⅜	3½	
48⅞	38⅞	Aetna Li	2.76	0.06	71527	45½	44½	44⅞	+⅜
9⅞	6⅝	Aflil A	0.24	0.02	282856	u10¼	9⅜	10	+¼
17½	12	Ahmanson	0.88	0.05	91728	16⅞	15½	16⅞	+⅝
3⅞	2⅞	Aileen Inc			7 12	3½	3⅜	3½	+⅛

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
8	6⅛	ZenithElec				8953	7½	7¼	7½	+¼
16	12	Zenith Nat	1.00	0.06	33	24	15¾	15½	15⅝	+¼
5⅛	4½	Zenix Inc	0.28	0.05		56	u5¼	5	5⅛	
13⅞	10⅞	Zero Corp	0.72	0.06	13	388	12⅞	12	12⅞	+⅞
41⅞	29½	Zurn Ind	0.88	0.02	16	345	38¼	37⅝	38¼	+¼
12⅞	10¼	Zweig Fund				122	12	11⅞	12	+⅛
9¾	8½	Zweig Totl				833	9⅝	9½	9⅝	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet HE&P		7	4	9	8¾	8⅞	−⅛
Pgll LD		5	395	13¼	13	13	−⅛
Pittway A		10	39	u24	23¾	23¾	+⅛
Ply Gem	0.12	21	19	6⅞	6⅝	6⅝	−⅛
PresidioA		3	446	5⅛	4⅞	5⅛	+⅛
Price Com		0	10	⅝	⅝	⅝	

NASDAQ NATIONAL MARKET

3:15 pm prices February 27

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		38	1257	18¼	17¾	18	+½
XL Data		9	54	6½	6¼	6½	
Xoma Corp		18	7698	30¼	28	29½	+1½
YankeeEnS	1.52	16	310	20¼	19¾	20⅛	−⅛
Yellow Fr	0.94	13	616	30⅞	30	30¼	+⅛
York Rsch		17	1500	17⅞	16¾	16⅝	−⅞
ZionsUtah	0.60	5	4	35	35	35	−⅛

FINANCIAL TIMES Thursday February 28 1991

AMERICA

Strong oil sector helps to halt Dow's losing streak

Wall Street

DEMAND for oil shares and the stocks of companies likely to benefit from contracts to rebuild Kuwait pushed share prices higher yesterday morning, ending six consecutive days of declines, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones Industrial Average was up 12.13 at 2,876.73, although off its high of 2,895.54. The Standard & Poor's 500 was also firmer, climbing 4.00 to 366.81 by 1 pm, while the Nasdaq composite of over-the-counter stocks rose 1.81 to 449.52. Big Board turnover was relatively heavy at 127m shares by 1 pm, with advancing issues outpacing declining issues by more than two to one.

Sentiment was aided by a slightly better-than-expected revision in gross national product (GNP) data for the last quarter of 1990, showing a 2 per cent fall in GNP during the period rather than the originally estimated 2.1 per cent. The market had been expecting a less favourable revision. However, analysts pointed out that the quarterly decline was still the worst since the last recession in 1982.

The mood of the market might also have been helped by press reports that Iraq was ready to comply with all the United Nations resolutions, although the successful conclusion to the Gulf war has been almost fully discounted in share prices.

For the second day in succession oil stocks advanced strongly, aided by another rise in crude prices – April crude was up 44 cents at $18.81 a barrel yesterday afternoon – and continued demand from investors who believe the sector has been oversold since the Gulf war started.

Leading the sector higher were Chevron, up $2⅛ at $74⅞ on turnover of ½m shares; Exxon, up $1 at $54¾ on volume of 1m shares; Texaco, $2¼ higher at $63⅛; and BP, up $2 at $76⅛. Also rising were Mobil, which advanced $1⅞ to $61⅞, Amoco, up $⅞ at $51⅞, and Royal Dutch Petroleum, $1¼ higher at $80⅞.

Caterpillar rose $3⅞ to $53⅞ in brisk trading on hopes that the company, which is one of the country's largest manufacturers of earthmoving and construction-related engineering equipment, would win substantial orders from Kuwait.

Trading in Westinghouse Electric's shares was halted mid-morning at $29⅛ for the announcement of a set of gloomy corporate results and a cash call. The company revealed a fourth quarter loss of $449m, which included a pre-tax charge against earnings of $975m. It warned of lower 1991 profits and unveiled plans to issue $600m of common stock.

Woolworth moved against the trend, the giant retailer dropping $1⅞ to $33⅛ after reporting fourth quarter 1990 profit of $1.15 a share, well below analysts' expectations.

Amgen, one of the high-flyers recently on the over-the-counter market, slumped $4¼ to $93 on turnover of 2.1m shares. The stock has tripled in value over the past 12 months, and some analysts believe that Amgen is overvalued.

Canada

TORONTO stocks rose by midsession after a flat opening. The composite inded stood at 3,437.11, up 15.73, at midday, with the financial services index up 25.62 at 2,592.09 and the metals and minerals index 31.08 higher at 3,095.13.

Volume rose to 15.1m shares by midsession, compared with 10.9m on Tuesday morning.

Index highlights UK's international aims

Eurotrack 200 offers a benchmark for all European shares, writes William Cochrane

THIS WEEK the International Stock Exchange (ISE) launched the FT-SE Eurotrack 200 index, another stage in the development of London's international equity market.

Eurotrack 200, with appropriate weighting, effectively marries the FT-SE 100 and the Eurotrack 100 indices which, until now, have represented UK and continental European share price performance separately – giving a benchmark for fund managers who consider Europe, including the UK, to be one global sector, and providing another base for derivatives trading. Plans to launch the first futures contract on the Eurotrack 100 were announced yesterday.

Mr Herschel Post, ISE deputy chairman, said before the launch that international investment had increased significantly in the past couple of years, adding that London was in the forefront of this growth and that Europe was now bringing in the bulk of London's international business.

"For the whole of 1990, trading in European stocks accounted for over 60 per cent of total international equity trading through the ISE," said Mr Post. The ISE's latest quarterly review, covering October-December 1990, notes that the figure hit 65 per cent in the first two quarters of the year before the Gulf crisis affected investor sentiment, and 63 per cent for 1990 as a whole.

The review also shows overseas equity turnover of £34.9bn in London for the third quarter of 1990, compared with £1.8bn in Frankfurt and £648m in Paris. For the record, the US market registered $41.2bn (£21.7bn) of overseas equity business during the same period, and Tokyo £1.1bn.

London trades in foreign equities through the medium of Seaq International, a screen-based electronic marketplace. Marketmakers enter prices directly through a computer system in their dealing rooms.

These prices are fed into the computers of the ISE and relayed simultaneously to all major quote vendors. In this way, subscribers in Japan, Europe and New York receive real-time quotations which are updated throughout the day.

Prices are made by 52 marketmakers, representing the world's leading securities houses; another dozen are waiting to come on to the Seaq International screen. The market is highly liquid, the average bargain size of £156,000 in 1990 (up from £97,000 in 1987) reflecting its institutional nature.

Seaq International was introduced a year before London's Big Bang in October 1986. The ISE felt that it could offer some Big Bang technology early; and some houses, among them the big jobbers of the day such as Ackroyd & Smithers (now part of S.G. Warburg) and Wedd Durlacher (now an arm of BZW) were allowed to trade stocks with dual capacity before Big Bang.

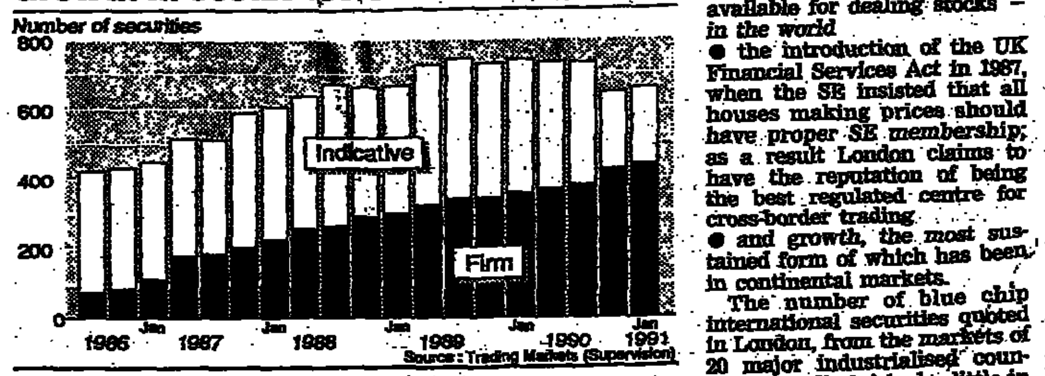
It went through various stages of evolution:

- purely indicative pricing, where subscribers could see prices from various houses on screen
- a firm price rule, with marketmakers agreeing to keep prices up to date, and good for dealing; London has one of the widest "windows" – time available for dealing stocks – in the world
- the introduction of the UK Financial Services Act in 1987, when the SE insisted that all houses making prices should have proper SE membership; as a result London claims to have the reputation of being the best regulated centre for cross-border trading
- and growth, the most sustained form of which has been in continental markets.

The number of blue chip international securities quoted in London, from the markets of 20 major industrialised countries, has diminished a little in the last six months, from nearly 750 to just under 700.

However, the number of stocks quoted on a firm, instead of on an indicative, pricing basis, has moved up from under 350 to around 450 over the same period. Big marketmakers want to trade stocks on a firm basis, says the ISE, and they have been willing to sacrifice indicative pricing in that endeavour.

Growth in securities on SEAQ Intl.



Source: Trading Markets (Supervision)

ASIA PACIFIC

Absence of foreigners cuts volume in half as prices slip

Tokyo

SHARE PRICES fell for a second day yesterday, as discouraged dealers, who had built up positions on Tuesday, continually sold on peaks, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 188.71 to 26,094.25 and volume halved to 500m shares from 1bn. While traders noted small-lot buying by individuals, fresh cash from foreigners was absent.

The index opened at the day's high of 26,229.13 and soon fell to the day's low of 25,956.69. While selling by dealers and investment trusts depressed prices, the Nikkei found support at 26,000. Analysts said the index was being sustained at that level for window-dressing purposes before the fiscal year-end.

Falls led rises by 739 to 278, and 125 issues remained unchanged. The Topix index of all first section issues declined 17.72 to 1,935.37, and in London trading the ISE/Nikkei 50 index gained 3.53 to 1,495.78.

Traders said share prices were falling on technical factors. Many chartists predicted that the Nikkei average, now 7 per cent higher than its 25-day moving average, could fall until the gap was reduced to 5 per cent.

Only the warehouse sector gained by more than 1 per cent. Yokkaichi Warehouse advanced Y100 to Y2,160. Mr Jonathan McClure at Schroder Securities said investors could soon return to land asset-related stocks, and that Yokkaichi was one of the poorest performers within a laggard sector.

Chiyoda, the plant engineer, gained Y110 to Y2,620 after falling for three consecutive days. Iraqi President Saddam Hussein's orders to his troops to withdraw from Kuwait reinstated hopes that the company would help in the reconstruction of Gulf states.

Mitsubishi Materials, which had been depressed recently on profit-taking, was the most active issue of the day. It added Y45 at Y830. Trading in the shares was halted temporarily in the afternoon due to a flood of orders.

Blue chip electricals were targets of dealer interest. NEC gained Y60 to Y1,630 and Fujitsu added Y30 at Y1,230. Precision stocks were also sought, with Nikon advancing Y30 to Y1,410 and Canon Y50 to Y1,550.

Shiseido, the leading cosmetic producer, lost Y10 to Y2,160. Analysts said that investors holding the company's warrants issued in 1986 with an exercise price of Y2,050 would be converting the contracts into equity shortly.

Bridgestone, the tyremaker, fell Y30 to Y1,100. The company announced positive 1990 results on Tuesday, but investors were discouraged by speculation that its pre-tax profits for this year would fall for the first time in five years.

In Osaka, the OSE average lost 331.98 to 28,763.38 on volume of 63.4m shares, down from 120.5m. Sumitomo Forestry gained Y50 to Y1,710 on fundamentals. The company expects record pre-tax profits for the year ending this March.

Roundup

WALL STREET'S overnight fall depressed most Pacific Rim markets yesterday.

SINGAPORE took heart from reports on the Gulf and the renewed interest from foreigners, and recovered from early profit-taking. The Straits Times Industrial index ended 10.57 higher at 1,443.35 in turnover of S$241m, after S$266m.

KUALA LUMPUR slipped on profit-taking, the composite index shedding 2.34 to 561.13 in volume of 102m shares, down from 132m.

SEOUL eased in moderate trading as investors took profits. The composite index dipped 5.56 to 671.71 in turnover of Won233bn, against Won293bn on Tuesday.

NEW ZEALAND came off the day's low on some late buying. The Barclays index ended down 9.34 at 1,344.92 after losing 12.6 early in the day. Turnover came to NZ$13.4m, compared with the previous day's NZ$13.7m.

AUSTRALIA fell 1.6 per cent on poor company results. The All Ordinaries index ended 23.0 lower at 1,390.4 in turnover of A$165m, after A$204m.

BTR Nylex, a plastics and rubber manufacturer, fell 9 cents to A$2.85 after reporting a fall in 1990 results.

TAIWAN gained ground. The weighted index climbed 30.36 to 4,869.82 as volume decreased to T$45.7bn from T$64.4bn.

HONG KONG declined on profit-taking in quiet trading. The Hang Seng index slipped 19.64 to 3,512.79 and turnover shrank to HK$1.16bn from HK$1.62bn, its lowest level in more than three weeks.

BANGKOK'S SET index shed 7.01 to 769.13 on about 3.9bn baht turnover. Dealers expected shares to recover on Friday when the market reopens after today's holiday, before a new civilian government is announced at the weekend.

JAKARTA retreated across the board after the government forced state companies to buy central bank paper in a move to curb inflation and dampen foreign exchange speculation. The official index was unavailable but the Jardine Fleming index finished 2.08 weaker at 93.99.

MANILA fell for a second day. The composite index declined 9.64 to 966.69 in turnover of 153m pesos, after 255m.

BOMBAY rose in spite of profit-taking, the BSE index adding 16.35 at 1,221.55.

SOUTH AFRICA

GOLD shares climbed further in Johannesburg as bullion prices firmed, but volume was thin. The all-gold index gained 30 to 1,029 and the overall index firmed 9 to 2,767, but the industrials fell 4 to 3,209. Freegold rose 75 cents to R21.

EUROPE

Bourses overcome early weakness to end firmer

MOST BOURSES recouped early losses to end higher yesterday, for a variety of corporate and economic reasons, *writes Our Markets Staff.*

FRANKFURT declined at the opening mainly on foreign selling, but, as the real-time DAX index neared 1,540, domestic buying triggered a turnround. A strong performance from the steel sector and signs that Bayer, the chemical company, would hold its 1990 dividend also helped the market higher.

The DAX index ended 7.28 up at 1,558.24, while the FAZ, calculated at midsession, eased 3.95 to 659.44. Volume fell to DM6.1bn from DM6.2bn.

Analysts said that, while the market had not fully discounted the economic slowdown expected this year, its short-term outlook was favourable from a technical point of view, thanks to the abundance of liquidity which could drive it to 1,670 on the DAX.

Bayer rose DM4.70 to DM262 after the news that it would pay the same bonus to employees for 1990 as in 1989. In the same sector, Hoechst rose DM3.30 to DM250.50.

Among steels, Metallgesellschaft jumped DM19 to DM483.50 on speculation that Kuwait's 20 per cent in the company would entitle it to a share of the reconstruction contracts in the Gulf. But some dealers were wary, noting that Germany had played a relatively small role in the war. Klöckner-Werke rose DM5 to DM138.50 after saying that it would pay its first dividend for 17 years.

Asko, the retailer, fell DM11 to DM785 following news late on Tuesday that it had bought an indirect stake of 26 per cent in Adia, the Swiss employment group. Dealers said the market was disappointed that Asko's management could not give a reasonable justification for the investment in Adia, and that it was not keeping its promise to make the balance sheet more transparent.

ZURICH finished higher after the reversal in Frankfurt and Wall Street's opening rise. The Crédit Suisse index gained 10.1 or 1.9 per cent to 540.5.

Adia, the employment agency, saw its bearers leap SFr135 or 17 per cent to SFr930 in active trading, on Tuesday's late news that Omni Holding, the investment company, had sold its controlling stake. The stock was suspended briefly at the start of the session. Gebrüder Sulzer, which is 30 per cent-owned by Omni, rose SFr290 to SFr4,800 in speculative trading. Omni bearers fell SFr10 to SFr680.

Leu Holding bearers rose SFr90 or 6.7 per cent to SFr1,440, after an article in a Swiss financial newspaper.

PARIS reversed early losses to end 1.1 per cent higher, on hopes of lower interest rates, a firm bond market, arbitrage buying and Wall Street's stronger opening. The CAC 40 index gained 18.71 to 1,731.02, after falling to 1,695.77 earlier. Turnover grew to about FFr2.4bn.

Eurotunnel, which should benefit from the British rate cut, rose FFr1.95 or 3.9 per cent to FFr52.15 with 3.5m shares exchanged.

Construction stocks were strong: Bouygues gained FFr27 or 4.9 per cent to FFr578. Scoa, the trading group which has been strong in recent days, shed FFr1 or 5 per cent to FFr18.90 on 189,500 shares.

STOCKHOLM extended its winning streak to a ninth session. The Affärsvärlden General index recouped early losses to finish 5.0 up at 1,061.1 in good turnover of SKr547m, down from SKr623m.

SKF, the ball bearings maker, saw its B shares fall SKr2 to SKr95 after reporting a fall in pre-tax profits.

MADRID rose on hopes of lower interest rates, following the UK cut. The general index added 1.40 to 264.08. Banco Santander rose Pta90 to Pta5,180 on 1.16m shares, including two large blocks reportedly bought by a US fund.

MILAN fell, with a few exceptions, in volume estimated at less than Tuesday's L225bn. The Comit index lost 3.09 to 571.65.

There was sustained volume in Pirelli, the tyre manufacturer, on growing confidence that it and its allies had gained control of 51 per cent of Continental of Germany, with which it wants to merge its tyre operations. Mr Ulrich Weiss, supervisory board chairman of Continental, indicated in an Italian financial newspaper article that some form of collaboration could be reached. Pirelli rose L20 to L1,740, gaining a further L30 after hours.

AMSTERDAM'S opening was delayed for an hour by technical problems, but it reversed early losses as the cut in UK interest rates lifted international shares. The CBS tendency index added 0.3 to 88.5.

Akzo, the chemical company, fell to Fl 88 before closing Fl 1.80 up at Fl 91.80. It reported a smaller-than-expected dividend cut, and a fall in 1990 net profits in line with expectations. Unilever, which accounted for Fl 83.1m of total volume of Fl 685.2m, lost Fl 3.30 to F 147.60 on US selling.

ISTANBUL fell on profit-taking. The 75-share index lost 163.18 or 3 per cent to 5,270.52.

FT-SE Eurotrack 100 - Feb 27

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1045.85	1046.40	1049.70	1052.35	1054.74	1057.15	1056.31	1056.65

Day's High 1062.82 Day's Low 1045.37

Feb 26	Feb 25	Feb 22	Feb 21	Feb 20
1050.88	1071.93	1053.96	1047.96	1038.67

Base value 1000 (26/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 26 1991								MONDAY FEBRUARY 25 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	133.96	+0.3	103.41	112.41	105.86	113.56	+0.1	6.04	133.58	102.99	112.60	105.74	113.46	158.31	112.74	139.39
Austria (19)	216.23	−1.2	166.92	181.45	170.87	171.60	−0.5	1.59	218.75	168.65	184.39	173.15	172.47	285.63	167.00	264.01
Belgium (60)	148.66	−0.3	114.76	124.73	117.47	115.30	+0.0	5.11	149.14	114.98	125.71	118.05	115.30	160.02	121.73	134.02
Canada (116)	135.96	−0.8	104.96	114.08	107.43	113.41	−0.8	3.54	137.09	105.70	115.55	108.51	114.36	153.61	121.24	138.10
Denmark (32)	266.03	−1.1	205.37	223.24	210.23	212.30	−0.6	1.63	268.97	207.37	226.72	212.90	213.55	277.62	217.74	249.35
Finland (21)	113.22	−1.1	87.40	95.01	89.47	87.54	−0.6	3.21	114.43	88.22	96.46	90.58	88.10	152.29	90.61	147.98
France (113)	146.05	−1.4	112.75	122.54	115.40	118.27	−1.6	3.49	148.06	114.15	124.80	117.19	120.19	168.85	121.85	143.90
Germany (88)	121.65	−2.1	93.91	102.09	96.13	96.13	−2.3	2.37	124.26	95.80	104.75	98.35	98.35	144.63	101.38	125.35
Hong Kong (46)	142.97	+0.2	110.37	119.97	112.98	143.04	+0.2	4.69	142.65	109.98	120.24	112.92	142.73	147.49	112.24	119.99
Ireland (16)	167.20	−1.5	129.08	140.31	132.13	134.90	−1.4	3.39	169.76	130.88	143.09	134.37	136.76	198.57	132.88	189.73
Italy (91)	87.08	−1.3	67.23	73.07	68.81	73.82	−1.5	3.42	88.23	68.02	74.36	69.83	74.97	109.26	72.05	93.02
Japan (453)	143.99	−0.2	111.16	120.83	113.80	120.83	−0.7	0.71	144.29	111.25	121.63	114.23	121.63	197.26	106.58	162.87
Malaysia (34)	230.51	+0.7	177.95	193.42	182.15	240.67	+0.9	3.13	228.84	176.43	192.89	181.14	238.54	250.89	182.96	234.11
Mexico (12)	598.94	−0.4	462.37	502.59	473.31	1950.13	−0.4	0.35	601.32	463.61	506.87	475.97	1957.90	613.96	324.53	393.90
Netherland (41)	141.12	−1.1	108.94	118.42	111.52	110.30	−1.3	4.90	142.73	110.04	120.31	112.98	111.72	149.08	125.70	133.28
New Zealand (15)	48.40	−0.8	37.36	40.62	38.25	42.82	−1.2	7.93	48.77	37.60	41.11	38.60	43.34	75.36	41.18	62.65
Norway (30)	206.28	−1.0	159.24	173.10	163.01	167.08	−0.6	1.67	208.30	160.59	175.58	164.88	168.01	276.79	182.24	233.84
Singapore (25)	195.07	+1.6	150.59	163.69	154.15	155.11	+2.1	2.68	191.98	148.01	161.83	151.96	151.91	209.24	147.24	189.71
South Africa (60)	197.47	−1.8	152.45	165.70	156.05	137.03	+0.2	3.97	201.14	155.07	169.54	159.21	136.76	251.39	151.50	198.12
Spain (41)	165.49	−1.7	127.76	138.88	130.78	118.67	−1.8	4.78	168.40	129.83	141.95	133.29	120.87	182.25	128.54	149.14
Sweden (27)	192.76	+0.6	148.81	161.76	152.33	161.80	+1.0	2.55	191.58	147.71	161.49	151.66	160.24	234.98	146.60	184.38
Switzerland (65)	98.39	−1.4	75.95	82.57	77.76	79.57	−1.4	2.60	99.82	76.96	84.15	79.03	80.67	109.77	82.17	94.90
United Kingdom (298)	179.42	−0.6	138.51	150.54	141.77	138.51	−0.5	5.09	180.54	139.19	152.16	142.89	139.19	182.40	139.87	155.00
USA (526)	147.07	−1.2	113.54	123.42	116.23	147.07	−1.2	3.34	148.84	114.75	125.47	117.82	148.84	149.65	119.06	133.72
Europe (940)	147.37	−1.1	113.77	123.67	116.47	115.46	−1.1	4.06	149.01	114.88	125.61	117.95	116.74	157.65	124.91	138.22
Nordic (110)	192.73	−0.4	148.79	161.73	152.31	151.53	+0.1	2.08	193.43	149.13	163.05	153.11	151.43	223.29	155.55	190.36
Pacific Basin (650)	143.23	−0.2	110.57	120.19	113.19	120.94	−0.6	1.04	143.48	110.62	120.94	113.57	121.66	192.75	107.82	160.37
Euro – Pacific (1590)	145.29	−0.6	112.16	121.91	114.81	119.48	−0.8	2.30	146.10	112.64	123.14	115.64	120.44	174.16	116.03	151.77
North America (642)	146.30	−1.2	112.94	122.78	115.64	144.82	−1.2	3.35	148.08	114.13	124.79	117.19	146.53	148.87	119.26	133.89
Europe Ex. UK (644)	127.62	−1.4	98.52	107.11	100.88	101.89	−1.5	3.30	129.50	99.84	109.18	102.53	103.48	145.62	106.85	126.75
Pacific Ex. Japan (197)	133.50	+0.4	103.06	112.04	105.51	118.21	+0.3	5.22	133.03	102.56	112.15	105.31	117.86	146.72	111.40	129.93
World Ex. US (1778)	145.75	−0.6	112.52	122.31	115.18	119.93	−0.8	2.35	146.61	113.03	123.59	116.05	120.88	173.77	117.12	151.89
World Ex. UK (2008)	141.71	−0.8	109.40	118.92	112.00	127.42	−1.0	2.40	142.87	110.15	120.44	113.10	128.68	162.00	115.37	143.35
World Ex. So. Af. (2244)	144.74	−0.8	111.73	121.46	114.39	128.44	−0.9	2.68	145.88	112.47	122.98	115.48	129.66	161.84	118.04	144.05
World Ex. Japan (1851)	147.04	−1.1	113.51	123.40	116.22	132.45	−1.1	3.70	148.65	114.61	125.32	117.68	133.87	151.59	124.31	136.28
The World Index (2304)	145.05	−0.8	111.98	121.72	114.64	128.50	−0.9	2.69	146.21	112.73	123.25	115.74	129.70	162.05	118.33	144.38

Latest prices were unavailable for this edition.